# Mobil Oil Corporation Annual Report 1968

## DIRECTORS

George P. Baker, *Dean of the Harvard Graduate School of Business Administration*

George F. James, *Senior Vice President*

Paul V. Keyser, Jr., *Executive Vice President*

Grayson L. Kirk, *President Emeritus of Columbia University*

Lewis A. Lapham, *Vice Chairman of the Board and Director, Bankers Trust Company*

Charles G. Mortimer, *Chairman of the Executive Committee and Director, General Foods Corporation*

Albert L. Nickerson, *Chairman of the Board of Directors; Chairman of the Executive Committee*

Herman J. Schmidt, *Executive Vice President*

William P. Tavoulareas, *Executive Vice President*

Rawleigh Warner, Jr., *President; Vice Chairman of the Executive Committee*

Albert L. Williams, *Chairman of the Executive Committee and Director, International Business Machines Corporation*

## OFFICERS

Albert L. Nickerson, *Chairman of the Board of Directors; Chairman of the Executive Committee*

Rawleigh Warner, Jr., *President; Vice Chairman of the Executive Committee*

Dayton H. Clewell, *Senior Vice President*

Christian A. Herter, Jr., *Vice President*

George F. James, *Senior Vice President*

Paul V. Keyser, Jr., *Executive Vice President*

Curtis M. Klaerner, *Vice President*

John D. Moody, *Senior Vice President*

Henry C. Moses, *Vice President*

Theodore W. Nelson, *Vice President*

James Q. Riordan, *Vice President*

Herman J. Schmidt, *Executive Vice President*

William P. Tavoulareas, *Executive Vice President*

Paul J. Wolfe, *Vice President*

Paul Wollstadt, *Senior Vice President*

Edward P. Fischer, *Treasurer*

John J. Scott, *General Counsel*

Arthur M. Sherwood, *Secretary*

William S. Swayze, *Controller*

Directors and Officers
as of February 1, 1969

## TRANSFER AGENTS

The Chase Manhattan Bank, National Association
*1 Chase Manhattan Plaza, New York, New York 10015*

The Bank of California, National Association
*400 California Street, San Francisco, California 94120*

Continental Illinois National Bank and Trust Company of Chicago
*231 South LaSalle Street, Chicago, Illinois 60690*

Canada Permanent Trust Company
*253 Bay Street, Toronto 1, Ontario, Canada*

Canada Permanent Trust Company
*315 Eighth Avenue West, Calgary, Alberta, Canada*

## REGISTRARS

Bankers Trust Company
*New York, New York*

Wells Fargo Bank
*San Francisco, California*

LaSalle National Bank
*Chicago, Illinois*

Montreal Trust Company
*Toronto, Ontario, Canada*

Canada Permanent Trust Company
*Calgary, Alberta, Canada*

## AUDITORS

Arthur Young & Company
*New York, New York*

## ANNUAL MEETING

The 1969 Annual Meeting of Shareholders
will be held on Tuesday, May 20
at 10 a.m. in the Apparel Mart,
2300 Stemmons Freeway,
Dallas, Texas.

# Mobil Oil Corporation

# annual report 1968

## the year in brief

| | 1968 | 1967 |
|---|---|---|
| **Financial** | | |
| Revenues | $7,089,136,000 | $6,473,084,000 |
| Net income | $ 428,239,000 | $ 385,393,000 |
| Per share | $ 4.23 | $ 3.80 |
| Cash dividends | $ 207,465,000 | $ 187,423,000 |
| Per share | $ 2.05 | $ 1.85 |
| Shareholders' equity *(end of year)* | $4,071,780,000 | $3,848,859,000 |
| Per share | $40.21 | $38.05 |
| Capital and exploration outlays | $ 713,171,000 | $ 678,524,000 |
| Total assets *(end of year)* | $6,871,834,000 | $6,223,861,000 |
| **Shareholders and Employees** (end of year) | | |
| Number of shareholders | 218,600 | 213,500 |
| Number of shares outstanding | 101,258,000 | 101,157,000 |
| Number of employees | 78,300 | 79,800 |
| **Operating†** (barrels daily, except natural gas) | | |
| Gross production of crude oil and natural gas liquids *(together with quantities received under long-term arrangements)* | 1,835,000 | 1,663,000 |
| Natural gas production *(thousands of cubic feet daily)* | 2,731,000 | 2,382,000 |
| Refinery runs of crude oil and natural gas liquids | 1,828,000 | 1,677,000 |
| Petroleum product sales | 1,874,000 | 1,721,000 |

†Includes interest in non-consolidated companies.

*The cover of this report shows our new refinery at Amsterdam.*

*Turn to page 24 for comparative Financial and Operating Data. The Financial Review begins on page 25.*

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. For convenience, this report uses such terms as "Mobil Oil," "Mobil," "corporation," "company," "we," and "our" sometimes for the parent corporation and all such divisions, subsidiaries, and affiliates collectively, and sometimes for one or more of them.

Mobil Oil Corporation, 150 East 42nd Street, New York, N. Y. 10017

# to our shareholders

Mobil had another good year in 1968.

Earnings rose to a record $428.2 million, compared with $385.4 million in 1967. Earnings per share were $4.23, compared with $3.80 in 1967.

This improvement in earnings—11.1%—exceeded that of any of the other leading American-based international oil companies.

Cash dividends per share came to $2.05 in 1968, compared with $1.85 in 1967. In December, the quarterly dividend was raised to 55¢ a share, the seventh increase in the past six years.

There were four principal reasons for Mobil's gains in 1968. Production of crude oil and natural gas liquids worldwide was significantly higher. The company benefited from greater efficiency resulting from the modernization of our two largest refineries, at Beaumont, Tex., and Torrance, Calif. Mobil recorded increased sales of petroleum products both overseas—through its affiliates—and in the United States, where our gasoline volumes rose more rapidly than total gasoline demand. Prices of our products in the United States continued generally firm.

Ten years have passed since your management undertook a series of steps aimed at improving Mobil's ability to achieve planned, profitable growth. Among the measurable results of these steps: earnings per share increased from $1.69 in 1959 to the new high of $4.23 achieved in 1968, and the rate of return on shareholders' average equity went from 6.6% to 10.8% in the same period.

Other measurable indices of our financial performance from 1959 to 1968 showed these improvements:

☐ Revenues increased from $3.5 billion to $7.1 billion.

☐ Total assets increased from $3.3 billion to $6.9 billion.

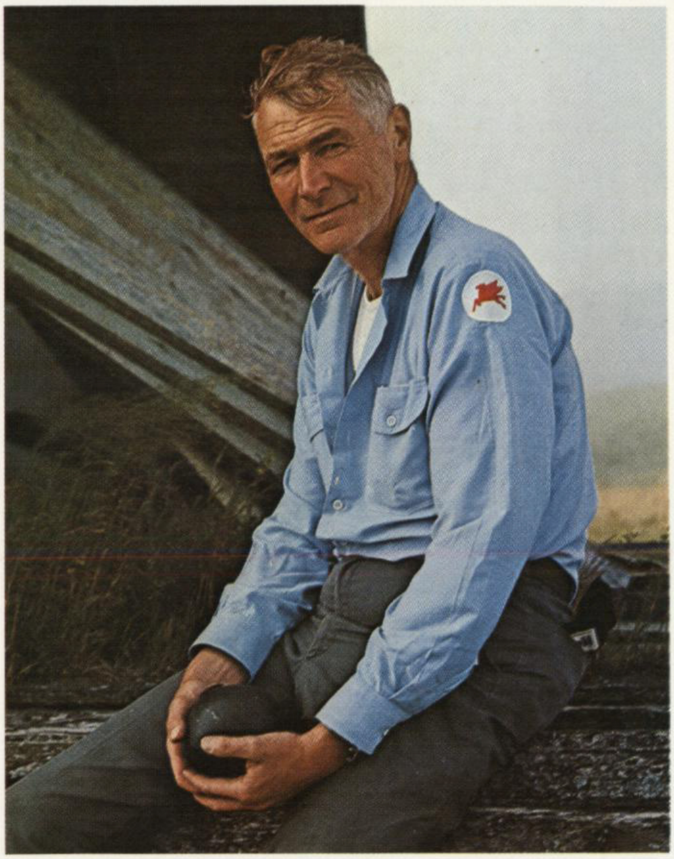
☐ Cash dividends increased from $97.0 million to $207.5 million.

A further indication of improved efficiency was a decrease in the total number of employees in petroleum operations from 72,100 in 1959 to 67,700 in 1968, excluding 10,600 Mobil Chemical employees added since that division was formed in 1960. As a result, petroleum product sales per employee (excluding chemical employees) rose from 4,610 barrels in 1959 to 10,060 barrels in 1968.

Worldwide operating volumes, which attained record levels in 1968, recorded significant growth over the 1959-68 decade, as follows:

☐ Gross crude oil and natural gas liquids production, together with quantities received under long-term arrangements, rose from an average of 897,000 barrels a day to 1,835,000 barrels a day.

☐ Natural gas production increased from an average of 1.0 billion cubic feet a day to 2.7 billion cubic feet a day.



*Albert L. Nickerson in Canada*

☐ Refinery runs of crude oil and natural gas liquids increased from an average of 1,002,000 barrels a day to 1,828,000 barrels a day.

☐ Petroleum product sales increased from an average of 1,074,000 barrels a day to 1,874,000 barrels a day.

Intangible results of the program begun in 1959 hold particular significance for the future. They include our demonstrated ability to develop

☐ A lean, purposeful organization well structured to take on the problems of the 1970's and 1980's.

☐ A management succession "pipeline" filled with high-potential individuals.

☐ Heightened skill in planning and in seeking out and evaluating investment opportunities.

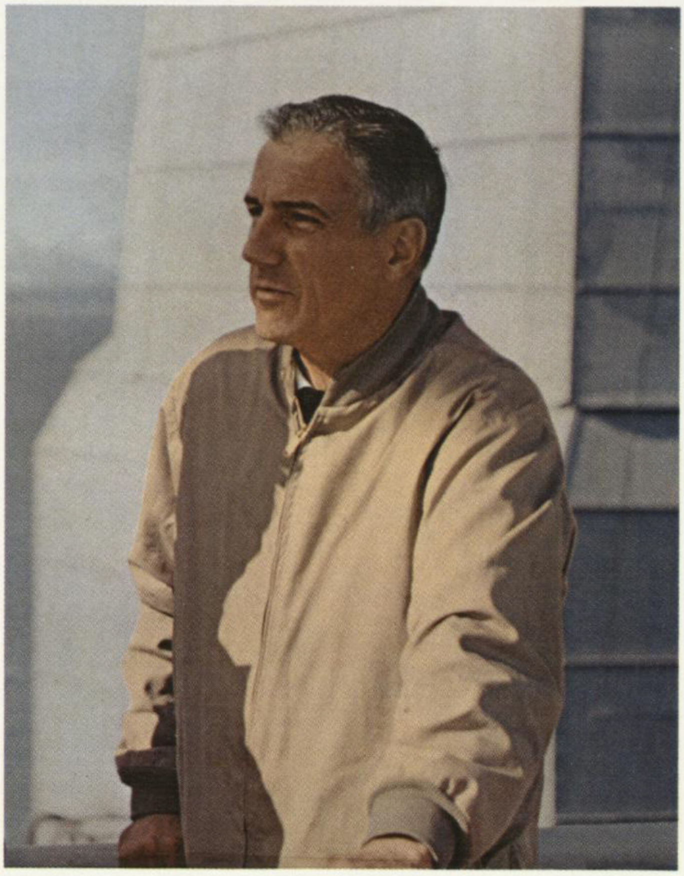
We normally take a five-year look into the future in the course of our regular business planning cycle. But to probe into the more distant future, we have now established a Long-Range Analysis and Strategy Group. The group's responsibility is to project and comprehend technological, social, economic, governmental, and population factors that may affect Mobil's business as much as 30 years ahead. Our purpose is to try to manage change more effectively.

One way we have done this is to use imagination in making the most of Mobil's far-flung and varied assets. In Hong Kong, for example, we have joined with other companies in building the huge Mei Foo Sun Chuen housing project on land formerly occupied by a Mobil marine terminal. Construction has begun on the second of seven groups of 20-story apartment houses which ultimately will accommodate as many as 80,000 people. Mobil has installed a central liquefied petroleum gas system to supply the cooking and heating fuel needs of the project's 14,000 apartments.

A proposal by another oil company to build a refinery in a Foreign Trade Zone it wants established in Maine has generated considerable controversy and misinformation. In essence, this one company is seeking special oil-importing privileges on such a massive and discriminatory scale that, in our opinion, granting them would surely destroy the U.S. oil import controls program. These controls originated in 1959, when after long study a Cabinet Committee concluded that the national security required some limitation of imports in order to preserve a viable domestic oil-producing industry. This finding was supported by Presidents Eisenhower, Kennedy, and Johnson.

On February 20 of this year, President Nixon ordered a comprehensive review of the nation's oil import policies, including the question of import privileges for the proposed Maine refinery. We consider a review to be timely and necessary, since U.S. oil import goals—and the controls to achieve them—have not been reexamined for a decade. It is our belief that an objective review offers the best hope that long-range decisions involving our country's military security and economic well-being can be made in an atmosphere devoid of regional or other special interests.

*Rawleigh Warner, Jr. in Alaska*



It is our sad duty to record the passing of two men who made major and lasting contributions to our company. B. Brewster Jennings, president and then chairman from 1944 until his retirement in 1958, died in October. Mr. Jennings rendered invaluable service to Mobil and to the petroleum industry during his 38 years with the company, and served his country with distinction in two world wars.

Herbert Willetts, who contributed two illustrious careers to Mobil, died in July. An employee for 41 years, he rose to become a director in 1951 and president in 1961. A year after his retirement in 1964, he was reelected a director and continued in that capacity until his death.

George F. James plans to retire as a director, a member of the Executive Committee, and a senior vice president for finance on May 1. To succeed him, the directors have nominated James Q. Riordan, now a vice president of the corporation and president of the International Division.

Once again it is a pleasure to acknowledge the fine support given your management in 1968 by shareholders and employees alike, and to express our thanks for the sustained cooperation that made Mobil's decade of growth possible.

For the Board of Directors

Albert L. Nickerson
CHAIRMAN

Rawleigh Warner Jr.
PRESIDENT

March 1, 1969

# exploration and producing

During 1968, Mobil began drilling for oil on the North Slope of Alaska, made important new discoveries off Nigeria, and increased its production of crude oil and natural gas liquids—both in North America and overseas—to record levels. Worldwide gross production of crude and liquids, together with quantities received under long-term arrangements, rose 10.3%, to an average of 1,835,000 barrels daily.

In North America, Mobil increased its gross production of crude oil and gas liquids by 9.7%, to an average of 521,000 barrels daily.

Natural gas production, mostly in the United States, averaged 2.7 billion cubic feet daily, a rise of 14.7%.

In mid-November, we spudded our first well in the Prudhoe Bay area of the North Slope of Alaska on jointly held acreage. Mobil has some 250,000 net acres on state and federal lands to the east of Point Barrow between the Brooks Range and the Beaufort Sea. Of this acreage, approximately 25,000 net acres are within 20 miles of two successful exploratory wells drilled in 1968 by other companies in the Prudhoe Bay area.

In the waters offshore from Santa Barbara, Calif., where Mobil paid $55.3 million for interests in 14 leases in a federal sale in February, a major oil discovery was made in March 1968 on Block 402, in which Mobil holds a 25% interest. With another company as operator, production drilling began during the fall, but operations stopped early in 1969 when oil leaked to the surface around a well being drilled. This was the first such accident to occur among some 1,100 wells producing offshore oil along the California coast. Pollution of the area occurred before the leak could be plugged. The four companies that hold interests in Block 402 are making every effort to clean up the oil. Lawsuits claiming damages in substantial amounts have been instituted against the corporation and the other three companies having an interest in the lease. The opinion of the corporation's general counsel in this connection is set forth on page 28.

## New Production

In offshore Louisiana waters, production began in December from an oil field in Main Pass Block 144. Mobil has a 50% interest in the field, discovered in 1967.

Onshore, in southeastern Mississippi, Mobil made an oil discovery in September. The discovery well tested at 1,900 barrels daily, and field development is underway. Production from the new field, called South Cypress Creek, began the same month. Mobil has 4,500 acres under lease in the area.

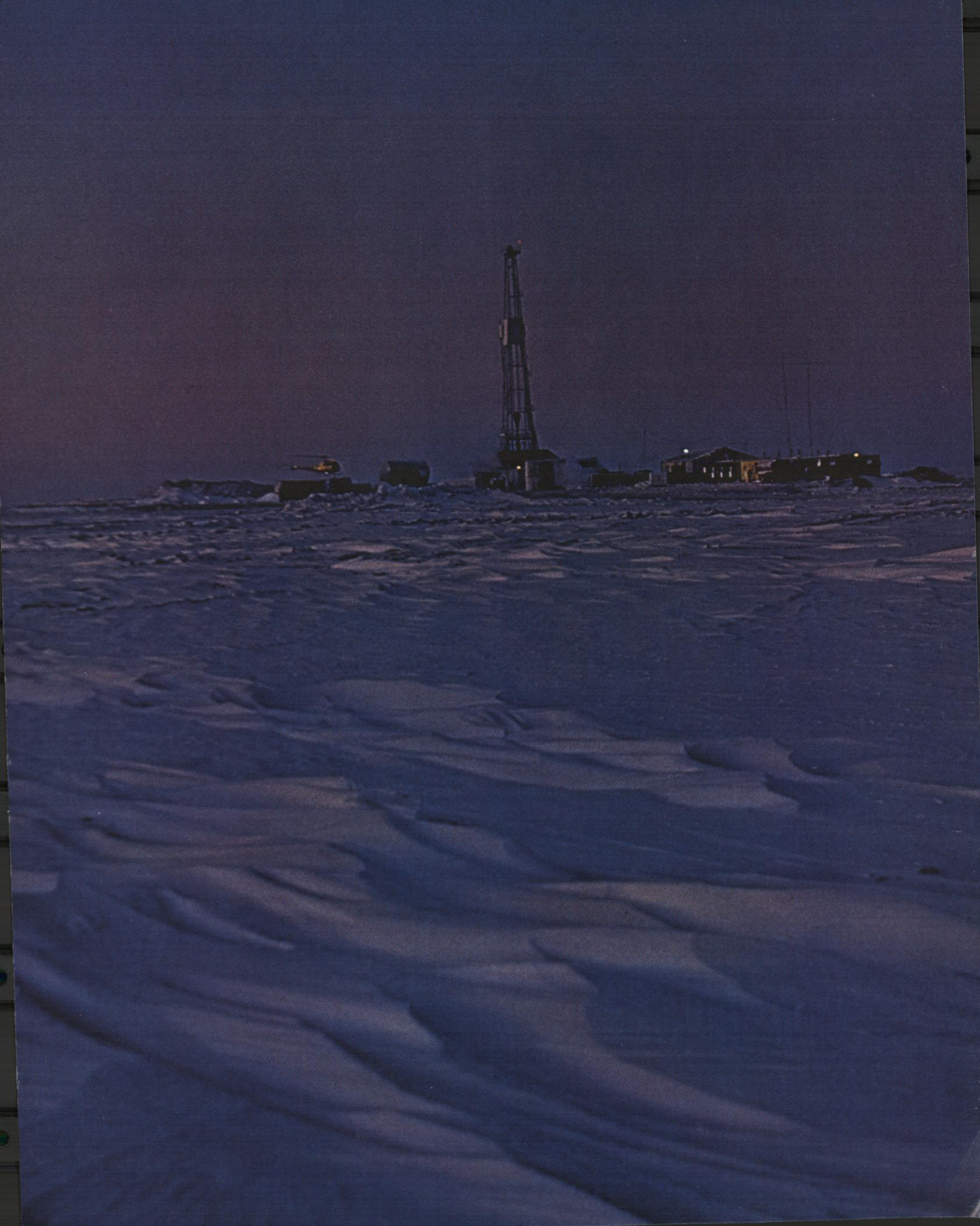
In Canada, production from the Rainbow Lake field in northwestern Alberta increased by about 30% over the 1967 level, averaging 19,000 barrels daily in 1968.

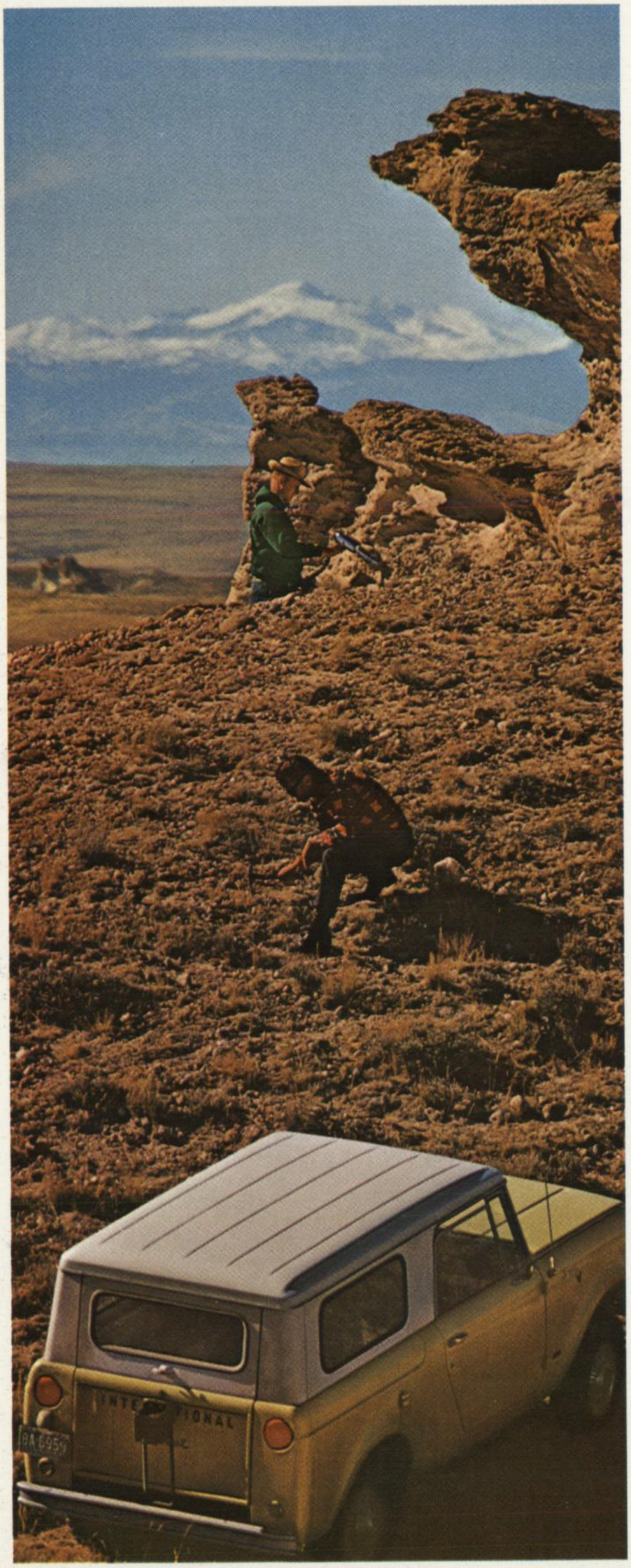
Additional acreage was acquired in the waters off eastern Canada, where the company has been doing exploratory

Gross Production of Crude Oil and Natural Gas Liquids by Areas (thousands of barrels daily)

|  | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. and Canada | 521 | 475 | 413 | 372 | 346 | 330 | 316 | 302 | 288 | 291 | 291 |
| Abu Dhabi | 38 | 30 | 30 | 23 | 15 | – | – | – | – | – | – |
| Indonesia | 25 | 26 | 29 | 29 | 28 | 35 | 36 | 36 | 40 | 42 | 39 |
| Iran | 189 | 173 | 141 | 127 | 116 | 101 | 91 | 82 | 73 | 65 | 57 |
| Iraq | 178 | 145 | 164 | 155 | 148 | 137 | 119 | 118 | 114 | 101 | 86 |
| Libya | 154 | 136 | 128 | 76 | 34 | 2 | – | – | – | – | – |
| Qatar | 23 | 23 | 23 | 23 | 22 | 23 | 22 | 21 | 21 | 20 | 21 |
| Saudi Arabia | 287 | 262 | 240 | 203 | 173 | 162 | 152 | 139 | 125 | 109 | 101 |
| Venezuela | 120 | 132 | 140 | 144 | 140 | 131 | 117 | 113 | 117 | 107 | 122 |
| West Germany | 21 | 22 | 23 | 24 | 23 | 20 | 20 | 19 | 18 | 16 | 12 |
| Other | 33 | 35 | 37 | 36 | 32 | 30 | 28 | 31 | 27 | 25 | 21 |
| Total | 1,589 | 1,459 | 1,368 | 1,212 | 1,077 | 971 | 901 | 861 | 823 | 776 | 750 |
| **Total** *together with quantities received under long-term arrangements* | 1,835 | 1,663 | 1,527 | 1,387 | 1,251 | 1,146 | 1,078 | 1,005 | 938 | 897 | 853 |

*Mobil wildcat drilling on the North Slope of Alaska.*





work since 1959. During the summer of 1968, a three-month geophysical program was carried out on more than 2 million acres in the region east of Sable Island and another 17 million acres off the east coast of Newfoundland. We have a total of over 30 million acres under exploration permit in eastern Canadian waters.

In the Arctic Islands, where our exploration permits cover approximately 3.7 million acres, we continued surface geology work.

Elsewhere in North America, Mobil:

☐ Successfully completed a well that resulted in an extension of the Recluse field in the Powder River Basin of Wyoming. The field now has five 100%-Mobil wells and nine 50%-Mobil wells, with additional wells to be drilled.

☐ Made the first known commercial application of thermal recovery techniques in Canada at the Battrum field in southwestern Saskatchewan. The project, which employs a controlled underground fire to make heavy crude oil less viscous and improve its flow, may eventually double the field's production to a level of 12,000 barrels daily. Mobil's interests in various leases in this field range from 27 to 49%.

### Production Overseas

In the Middle East, Mobil's 1968 production—including quantities received under long-term arrangements—averaged 961,000 barrels daily, an increase of 14.8% over 1967. Mobil has interests in five of the major oil-producing countries in the Middle East, as well as a long-term purchase contract in Kuwait.

Our Middle East reserves have more than doubled during the past decade, but the search for additional reserves continues in order to meet growing demand, to achieve further reductions in costs, and to maintain a diversity of types of crude oil. In Saudi Arabia, where large reserves have recently been added mainly in offshore fields, an extensive seismic program is being carried out in the Rub al Khali desert of south-central Arabia. In Iran, the Consortium, of which Mobil is a member, continues to make substantial additions to reserves with wildcat drilling.

In Nigeria, Mobil made additional important discoveries in 1968 and announced plans to develop production on its acreage, all of it offshore. Since 1962 we have been carrying out extensive exploration in waters from three to 35 miles off the coast. Encouraging discoveries of high-gravity, low-sulfur crude oil have been made there on more than a dozen separate geological structures. Temporary floating storage will permit production to reach 50,000 barrels a day by the

---

*Left, geologists prospect in Wyoming as part of the uranium exploration program started by Mobil in 1968. Right, Waha gas plant in West Texas processes and treats gas produced in five counties.*

middle of 1970 from the two fields in which development drilling has begun.

In Libya, production during 1968 averaged 154,000 barrels daily. During 1969, we plan to drill about a dozen wildcat wells there, six of them on acreage obtained in 1966. We have been doing preliminary exploration work on this acreage, and initial wildcat drilling on one part of it—Concession 126—has been encouraging. There are also some good exploration prospects in our original Libyan acreage. On Concession 12, which includes the large Amal field, we have made three new-field discoveries. One, made early in 1968, is only 10 miles from our producing facilities in Amal. The other two, made early in 1969, are about 15 miles southwest of Amal and 35 miles south, respectively.

In the North Sea off the coast of England, Mobil completed a second natural gas well, following its initial discovery of January, 1968 (reported in the 1967 Annual Report).

In November, Mobil discovered natural gas on 100%-acreage in offshore waters of The Netherlands. We plan additional exploration and appraisal work in the area.

## Gas Increases in Germany

Natural gas production in Germany during 1968 averaged 151 million cubic feet daily, an increase of about 60% over 1967. Our German natural gas production should nearly double in the five years through 1973 as the result of recent additions to our gas reserves.

In Indonesia during 1968, we assembled 100%-interest contract rights covering more than 11 million acres. These include two promising onshore blocks totaling 1.2 million acres and an additional 10.2 million acres—or 16,000 square miles—in the Strait of Malacca off the northeast coast of Sumatra.

Elsewhere overseas, Mobil:

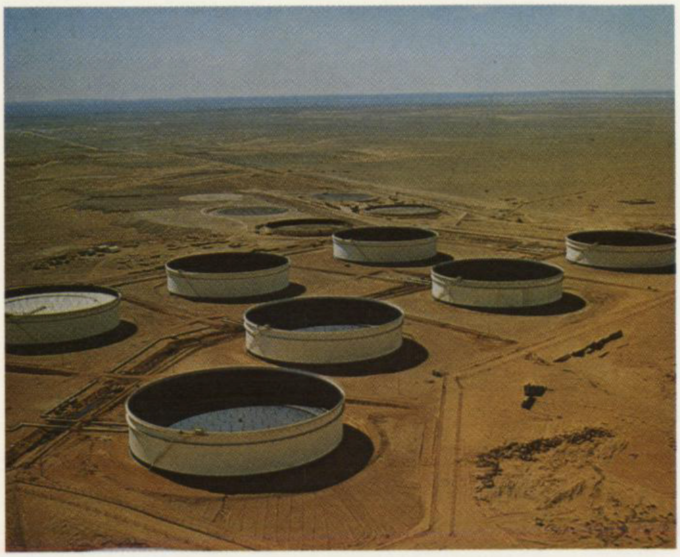
☐ Began a marine reconnaissance survey on the outer continental shelf of the southern Caribbean.

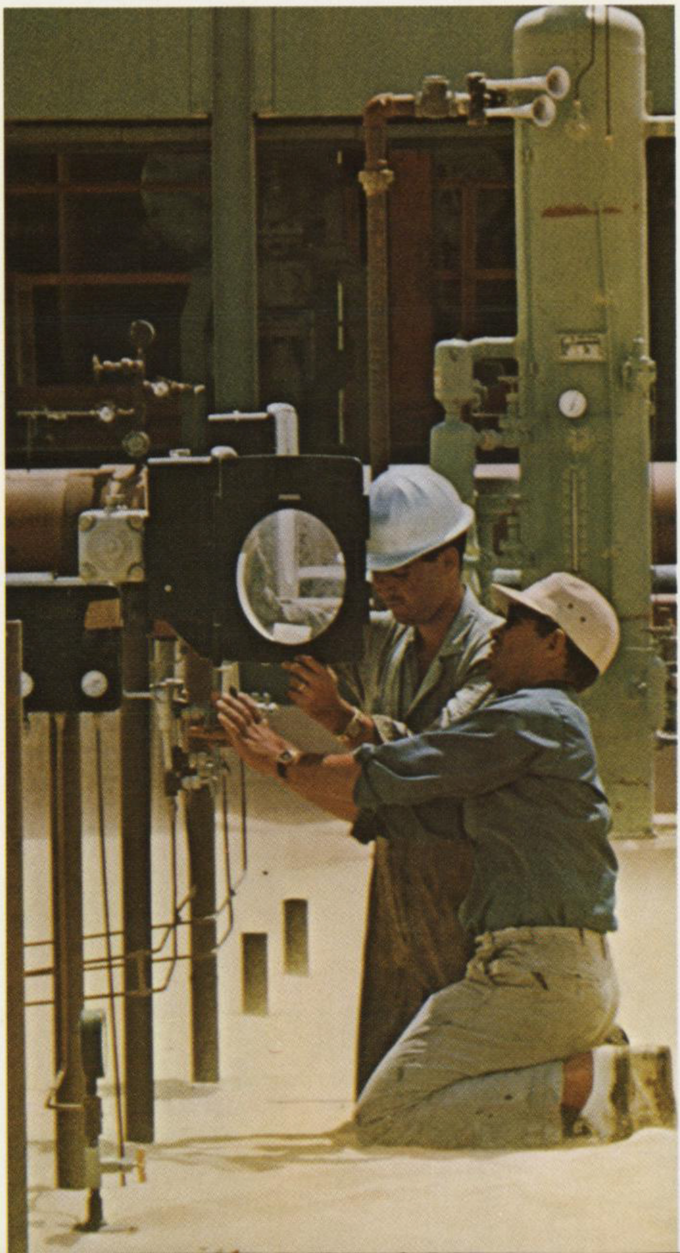
☐ Participated in preliminary exploration work in Pacific waters off the southern coast of Guatemala, where we have a 27% interest in 2.7 million acres. Results were encouraging, and further exploration work will be done.

☐ Obtained approval from the government of Nicaragua for an offshore exploration license under which Mobil has a half interest in 5.1 million acres in the Caribbean. Initial seismic reconnaissance has been completed.

☐ Continued exploration along the Red Sea coast of northern Ethiopia, on a 5.2-million-acre, half-interest concession.

☐ Reached a prospecting and development agreement covering substantial acreage in the waters off Ghana.





*Top, crude oil production in Libya is stored at Ras Lanuf terminal prior to export. Bottom, Libyan operators monitor Amal field gas controls.*

# transportation

In an expanded program of supertanker construction in 1968, contracts were let for three more vessels in the 200,000- to 250,000-deadweight-ton class, bringing the total on order to nine. Four of them will join the fleet in 1969, and all will be operational by 1972.

The construction of bigger tankers and larger, more automated pipeline systems is part of the effort to cut distribution costs through economies of scale. This program also involves enlargement of terminals and expansion of refinery capacity. These elements are all interconnected. Thus the decision to build larger vessels reflects the fact that most of Mobil's primary refineries in Europe and the Far East are served by ports that are, or soon will be, capable of taking vessels in the 200,000-ton-plus class.

The use of giant tankers and other ships recently ordered is expected to help in the projected per-barrel reduction of worldwide marine transportation costs of almost 40% in five years. This is more than twice the rate at which savings have been achieved in the past five years.

Of the nine giant tankers on order, four—each of 212,000 tons—are presently being built for an affiliate. Each of these vessels will have a double bottom extending the length of its oil cargo section. The 10-foot space between cargo tank and outer hull will serve as a permanent ballast tank, cutting repair and operating costs and reducing the danger of pollution if the vessels should run aground.

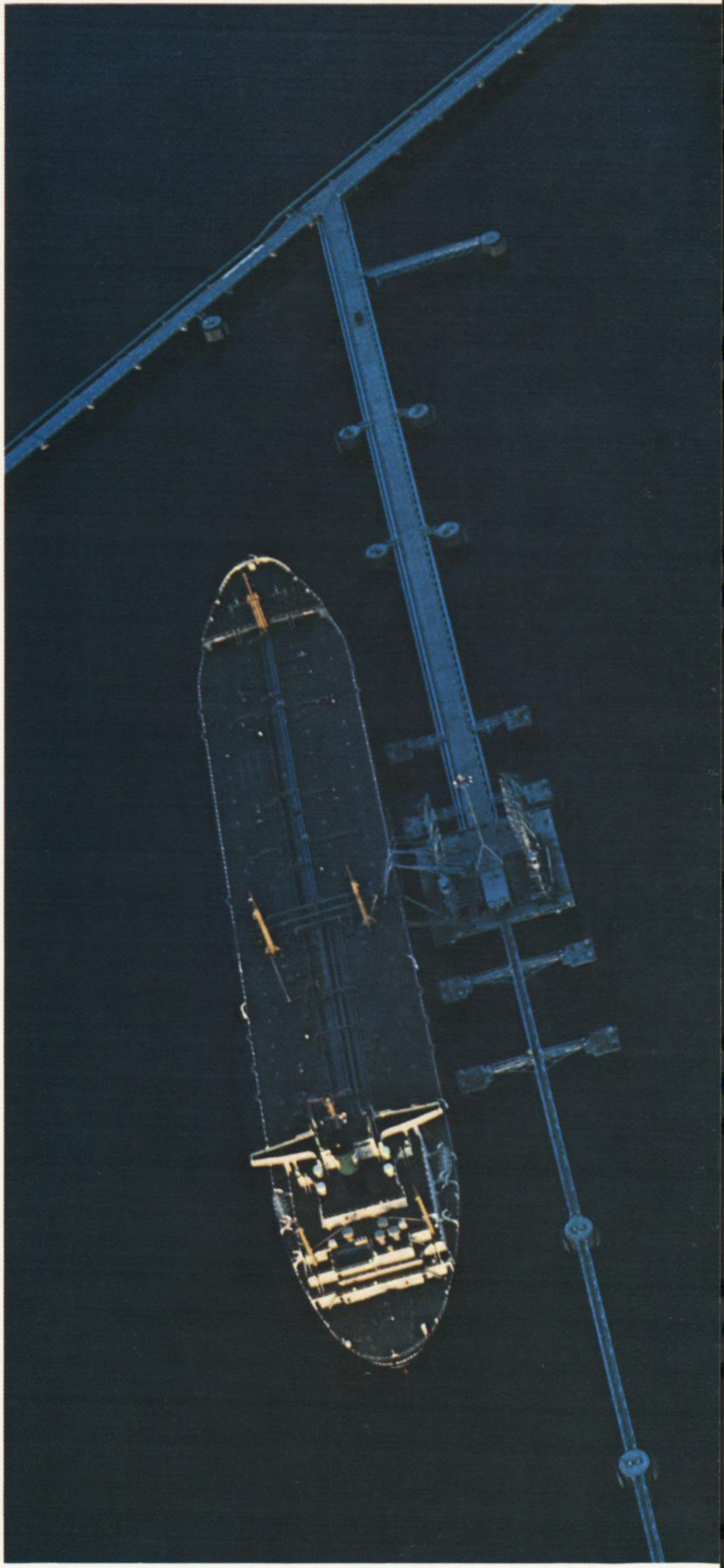
Five other tankers, ranging from 200,000 to 250,000 tons, will be built for time-charter to Mobil. The largest, to be delivered in 1971, will be built in Italy and will be the largest vessel flying Italian colors.

## Combination Tankers

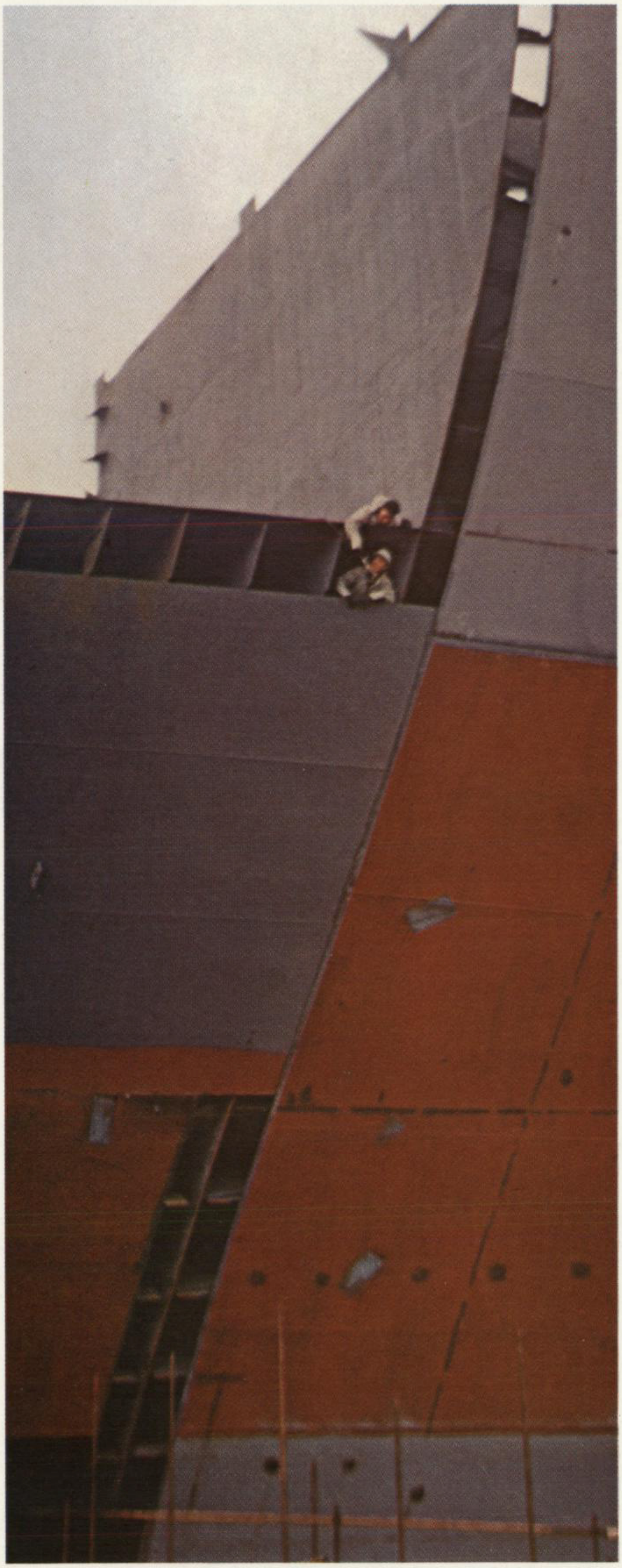
Two company-owned combination tankers will go into service in 1969. These vessels can carry coal, ore, or other bulk materials on their return journey after discharging their oil, thus reducing total transportation costs. The two vessels are in addition to the five ore/oil carriers we previously agreed to charter; three of the five are already in operation.

At year end the fleet included 37 owned and operated ocean-going crude oil and product tankers totaling 1.77 million deadweight tons. An additional 50 tankers under charter for one year or more aggregated 2.18 million deadweight tons. These totals do not reflect the chartering and building commitments made during the year for future delivery.

Mobil has joined with six other major international oil companies in drafting a voluntary plan under which an association would be established to compensate national governments for the cost of containing or cleaning up coastal oil spills. The plan—the Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution (TOVALOP)—would



*Tanker unloads Middle East crude oil at the Trieste terminal of the Transalpine Pipeline.*



permit both tanker owners and national governments to deal more effectively with minor spills and with major disasters. The plan will become effective when joined by companies representing 50% of the world's privately owned tanker tonnage.

Increasing its investment in port improvement and storage facilities, Mobil completed work to enable the Rotterdam terminal, which supplies the Amsterdam refinery, to accommodate 200,000-ton vessels. In England, a new jetty has just been completed at Coryton to accommodate partially loaded 200,000-tonners.

### Pipeline Expansions

Construction is scheduled to begin in the spring on a 260-mile spur of the Transalpine Pipeline. The spur, in which Mobil has a 12.5% interest, will initially move 110,000 barrels of oil a day to refineries in Austria. The main Transalpine line (11% Mobil) connects the port of Trieste with refineries in Germany.

In Libya, our partners in the pipeline connecting the Amal field with the terminal at Ras Lanuf nearly doubled the line's capacity to about 600,000 barrels a day by the addition of a parallel 141-mile section of 36-inch pipe. Additional tankage was provided at Ras Lanuf, and an additional berth will be built in 1969.

In the United States, several part-interest pipelines were expanded.

☐ The capacity of the 300-mile Olympic system (33% Mobil), which runs from Ferndale, Wash., to Portland, Ore., was increased by 11% to 131,000 barrels a day.

☐ The Wyco system (20% Mobil) completed an expansion which increased capacity out of Casper, Wyo., from 36,000 to 47,000 barrels a day.

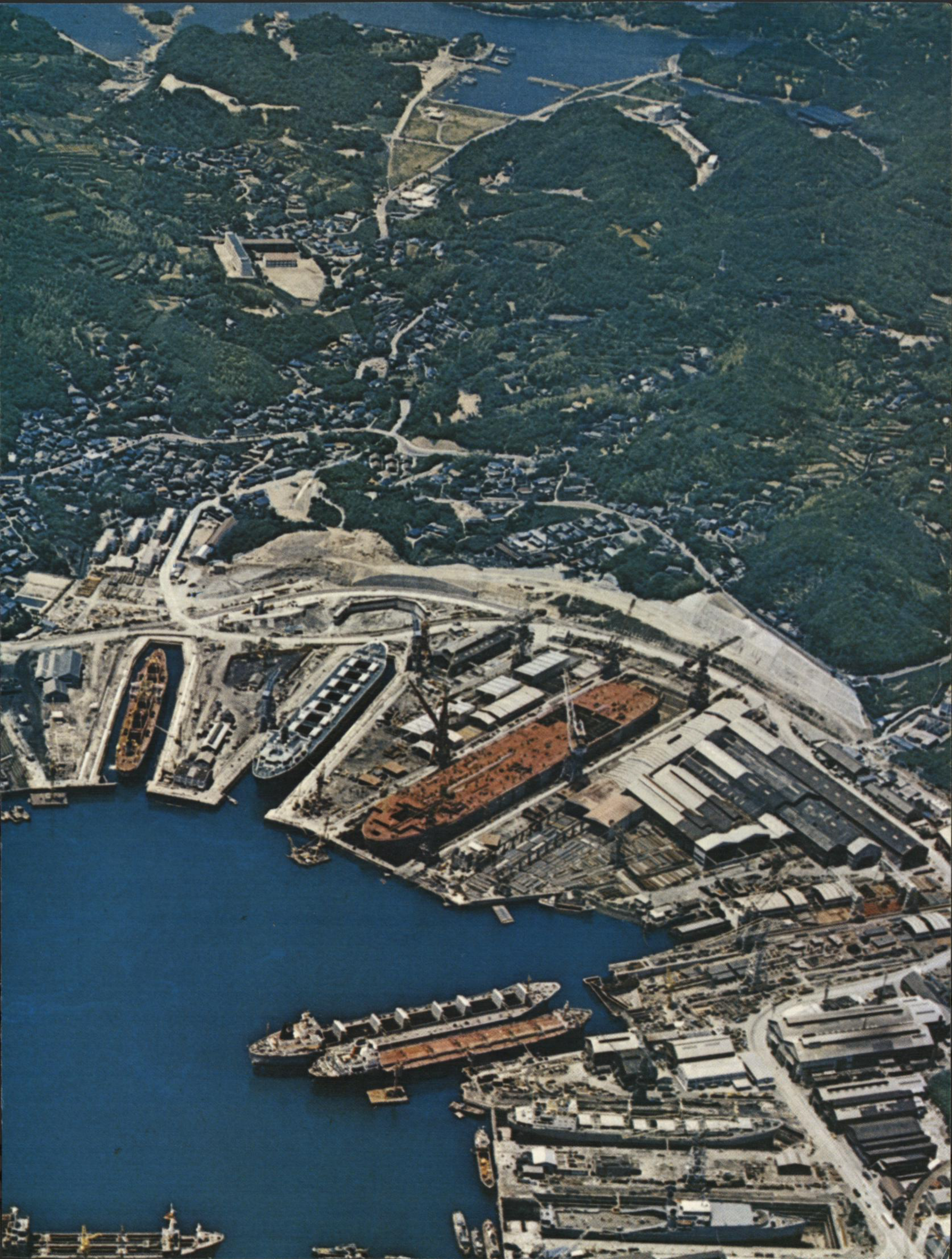
☐ The West Shore pipeline (14% Mobil) approved plans for adding 20,000 barrels a day from Chicago to Green Bay in 1969.

☐ Expansion of the Colonial pipeline (10.5% Mobil), which we use to transport products from the Beaumont refinery to the Eastern United States, to more than 1 million barrels a day was completed in December.

The company has acquired 21% of the Wolverine Pipeline, which originates at Chicago and terminates at Detroit and Toledo, with a spur to Muskegon, Mich.

Mobil Pipe Line Company, our U.S. common carrier affiliate, has announced plans to expand its West Texas crude oil and LPG systems, and the Pennsylvania-New York products system.

*Left, Amsterdam shipbuilders are dwarfed by a mammoth tanker under construction. Right, these giant tankers, which make an entire Japanese town appear small, help cut oil shipping costs. Mobil has nine on order.*



# refining

Nineteen sixty-eight brought the first full year of benefits from our investment in modernizing the Torrance, Calif., refinery. In 1969, we expect to achieve the first full year of benefits from the expansion and modernization of our Beaumont, Tex., refinery.

These improvements are part of a long-range program, begun several years ago, to increase refinery yields of high-quality, high-value products while substantially cutting the cost of processing each barrel of crude oil. Benefits from this program will continue to reduce manufacturing costs in the years beyond 1969.

This profit-maximization program is a broad-based effort, encompassing 21 wholly owned refineries, 10 of them in the United States and seven in Europe. In addition, there has been progress in yield-improvement and cost-reduction at most of the 21 refineries in which Mobil has part-interests.

## Record Runs

Worldwide refinery runs increased by a record amount in 1968, up 151,000 barrels a day to an average of 1,828,000 barrels daily. Both in North America and overseas, refinery runs were virtually in balance with product sales.

In the United States, refinery runs of crude oil and natural gas liquids rose 9.6%, to an average of 824,000 barrels a day. Overseas runs rose 8.5%, to an average of 1,004,000 barrels a day. These amounts include runs at wholly owned and partly owned refineries, as well as under arrangements for processing in refineries owned by other companies.

As overseas demand continues to expand in the years just ahead, we plan to increase overseas refining capacity by an annual average close to 100,000 barrels daily. In recent years, we have been adding an annual average of about 80,000 barrels a day to overseas capacity.

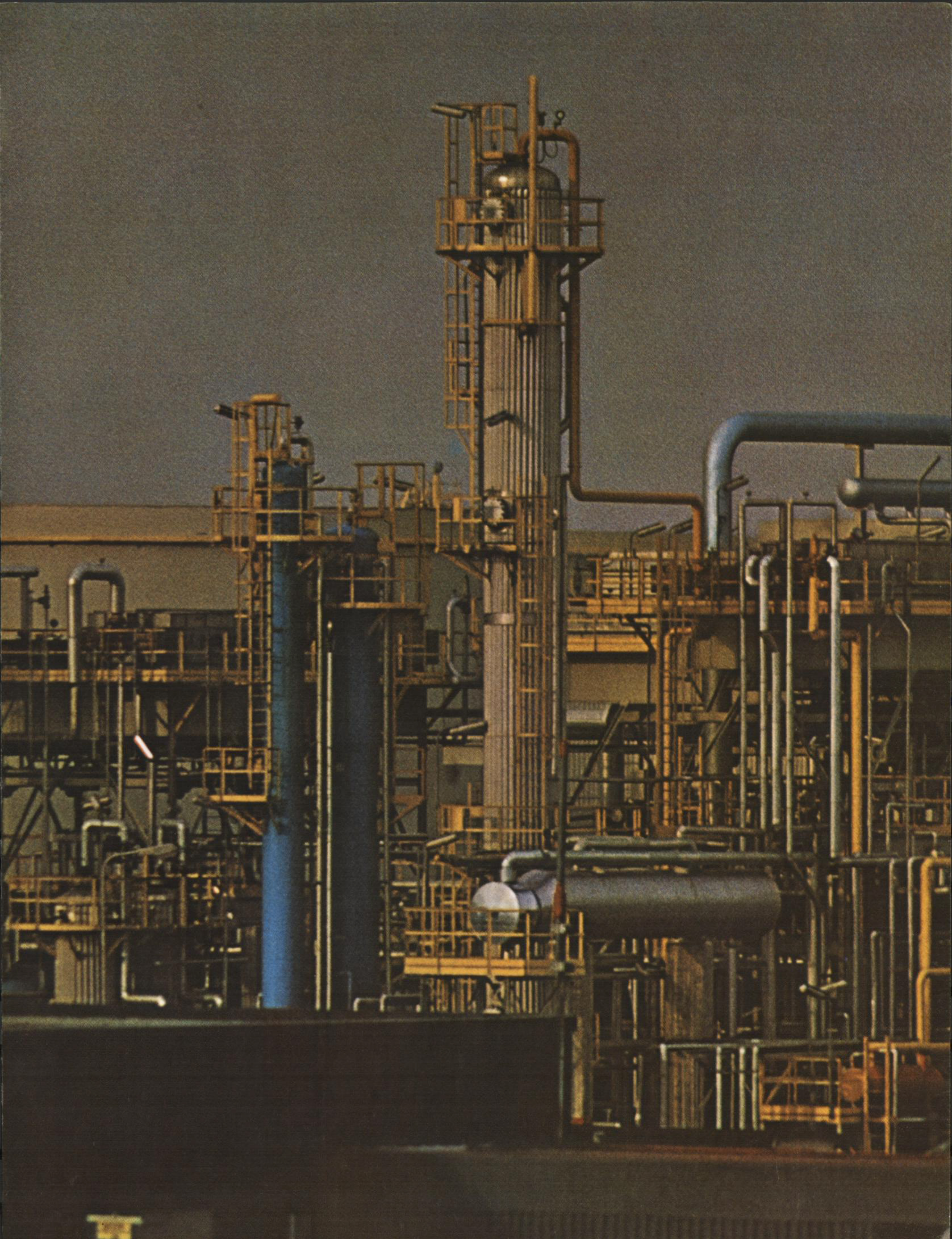
## Construction Under Way

During 1969 we expect to complete the current expansion of the Coryton refinery in the United Kingdom, nearly doubling capacity to 125,000 barrels a day and substantially enlarging its ability to make high-value lubricants and high-grade waxes.

In Europe, construction is expected to be completed in 1970 on the 70,000-barrel-a-day refinery at Woerth, near Karlsruhe, in southwest Germany. The Frontignan, France, refinery is expanding from 38,000 to 80,000 barrels a day, with completion expected in 1970.

Expansions in partly owned refineries are in Turkey,

*Left, Shinto rites officially open the new refinery at Chiba, Japan. Right, improved color schemes are designed both to promote safety at refineries and to make them more attractive. This is part of the Amsterdam refinery.*



where a 15,000-barrel-a-day increase is virtually completed, and in Australasia and the Far East.

Projects completed in 1968 include the wholly owned 80,000-barrel-a-day refinery at Amsterdam. A full line of fuel products is being manufactured at Amsterdam, primarily for Scandinavia and the Benelux countries.

In Japan, Mobil owns a 25% interest in Toa Nenryo, whose Wakayama refinery increased capacity to 176,000 barrels a day. We have rights to half the refinery output. Also in Japan, Mobil and Mitsui interests share equally in ownership of the 60,000-barrel-a-day Chiba refinery, completed during 1968.

## Improved Processing

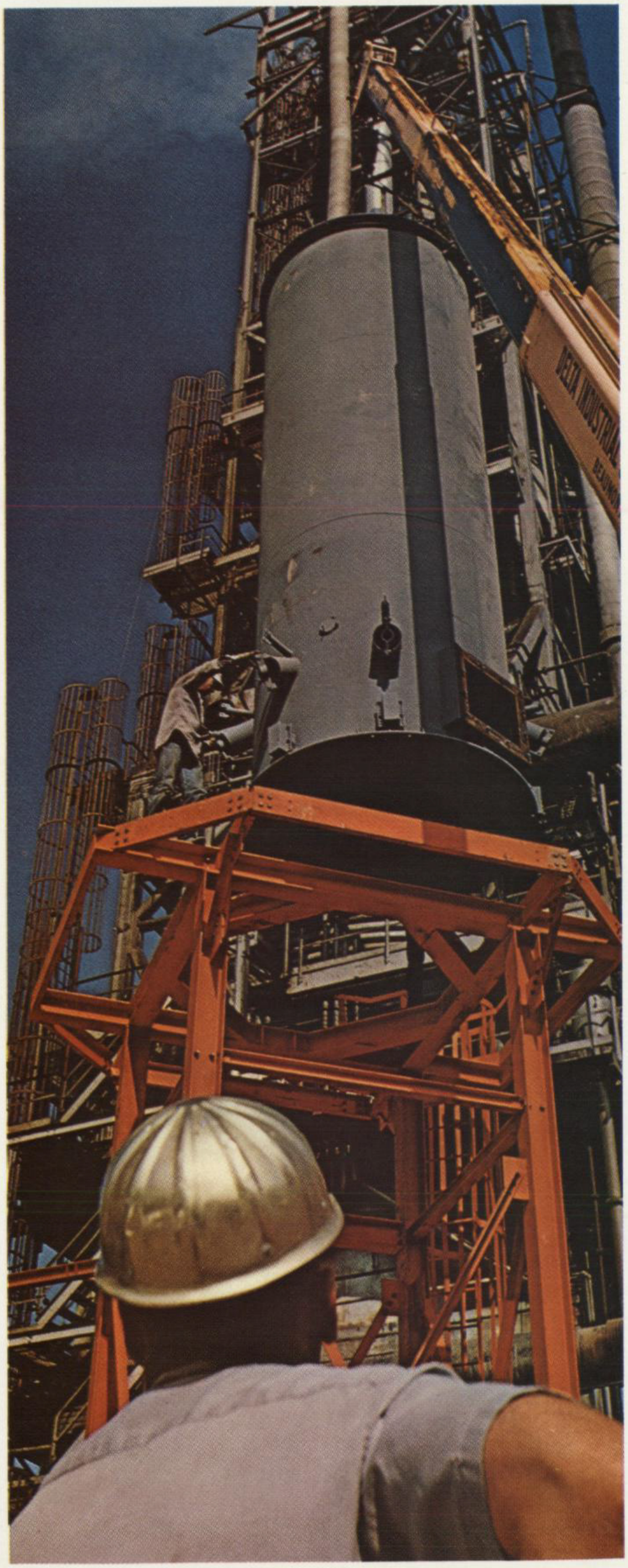
We are receiving improved process yields from new catalysts developed by Mobil research and adopted during 1968. The catalysts are being used in the Hydrocracker at Beaumont and the Fluid Catalytic Cracker at Torrance.

The Torrance refinery produces a series of advanced fuels. Among them is a special kerosine-type fuel that enables jet aircraft to fly at record speeds and altitudes. This type of fuel is one of the world's most advanced for turbojet flight. It even exceeds the requirements for such supersonic aircraft as the Boeing SST or the British-French Concorde. This fuel was developed by Mobil research as part of a program to provide advanced fuels for new types of aircraft.

## Pollution Controls

A significant feature of the refinery modernization program is the development and installation of equipment and processing techniques to help prevent air and water pollution. During the five-year period running through 1972 Mobil expects to spend about $125 million to control air and water pollution in all areas of operation. These worldwide expenditures range from our exploration operations to the marketing end of the business. The investment in refining is specifically designed to meet expected air and water quality standards at individual refinery locations. For example, this has included an installation for complete processing of waste waters at one refinery, and the removal of sulfur from fuel gases at other refineries.

Another current program aimed at helping refineries to become better neighbors is a general standardization of refinery color schemes, including bright "accent colors." The color schemes are designed to promote safety and to enhance the appearance of refineries.



*A plume burner rises at the Beaumont refinery as part of the program to cut air pollution.*

# marketing

Worldwide sales of petroleum products showed an 8.9% gain during 1968. The total was 1,874,000 barrels a day, with 47% in the United States and Canada and 53% in other countries.

In overseas marketing areas, 1969 is expected to be another good year of industry growth—on the order of 8 to 9%. Industry demand growth in the United States is expected to be about 3% this year, compared with the unusually high rate of 5.5% in 1968.

Prices were generally firm in the U.S. during 1968, but weakened in Europe during the last half of the year.

Mobil's U.S. gasoline sales growth in 1968 was well ahead of the industry as a whole. Contributing to this good performance were a continuing program of building new service stations and modernizing older stations, a substantial increase in the number of credit-card holders, and the introduction of a new detergent gasoline. An aggressive advertising campaign and promotional "games" also were major factors.

## Pegasus Stations

Starting in June, motorists will begin to see increasing numbers of a new Mobil service station design called the Pegasus. During the past two years 51 of these modern, attractive stations have been built and evaluated. Designed by Eliot Noyes, one of the nation's leading architect-designers, the Pegasus stations have won wide acceptance among motorists and have been praised by members of zoning boards and other civic officials.

The Pegasus design has been adopted as the new standard and each year these stations will represent an increasing percentage of the existing Mobil service station family.

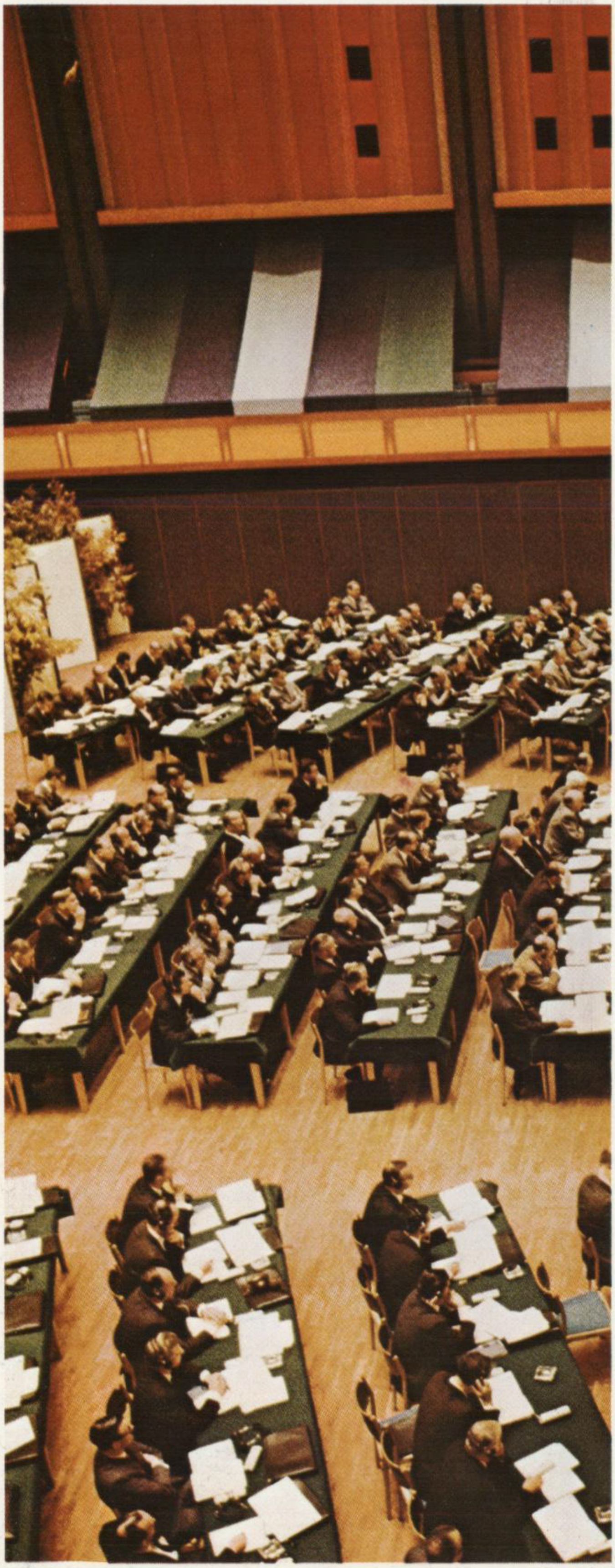
Pegasus stations also are being built on an experimental basis in Japan, The Netherlands, Portugal, Puerto Rico and Turkey. More are planned for 1969 in other countries.

## Credit Cards

Several million U.S. motorists joined the ranks of Mobil credit card customers during 1968. Because of the growing misuse of cancelled, lost, and stolen credit cards, Mobil has inaugurated a new credit card verification and authorization system as a security measure to combat this rising trend. A Mobil dealer anywhere in the country can now dial a computer center and receive within 20 seconds an approval or stop-credit report on any credit card.

A new detergent gasoline was introduced to U.S. motorists in 1968, and was promoted by an aggressive advertising campaign in newspapers and magazines and on television

*Mobil's circle theme for service stations is highly visible to motorists, even during foul weather.*



and radio. This "Clean Your Engine While You Drive" theme is being continued in 1969, as is the award-winning "We Want You to Live" safe-driving campaign.

During 1969 an increasing number of signs at U.S. stations will identify dealers who are Certified Specialists for such work as tune-ups, brake repairs or wheel alignment. These dealers have passed stringent tests coordinated by the company. Dealers who wish to participate are offered training courses to qualify them for this exacting work.

### Transportation Sales

Sales to the transportation industry, where Mobil is a leading supplier of quality lubricants as well as fuels, showed good gains during 1968.

Marine service capabilities were improved at Singapore, Rotterdam, New York and the Panama Canal. Aviation service was enlarged to include Zurich and a number of Pacific island airports.

Contributing to higher sales to fleet owners and contractors were Mobil Delvac 1200, a superior lubricant for diesel truck and heavy-equipment engines, and a new fuel additive called Mobil Clean Power which cuts the annoying emission of smoke from diesel exhausts.

### New Lubricants

A "third generation" railroad engine oil—Mobilgard 443—was introduced in January, 1969, and is expected to help make this another year of substantial growth in our sales to railroads.

Sales of premium industrial oils reached a new high in 1968, again surpassing the industry rate of increase.

Mobiloil Super 10W-50 was formulated especially to satisfy the preferences of overseas automobile builders and customers. We were the first to introduce a motor oil with this very wide viscosity range.

### Research Symposium

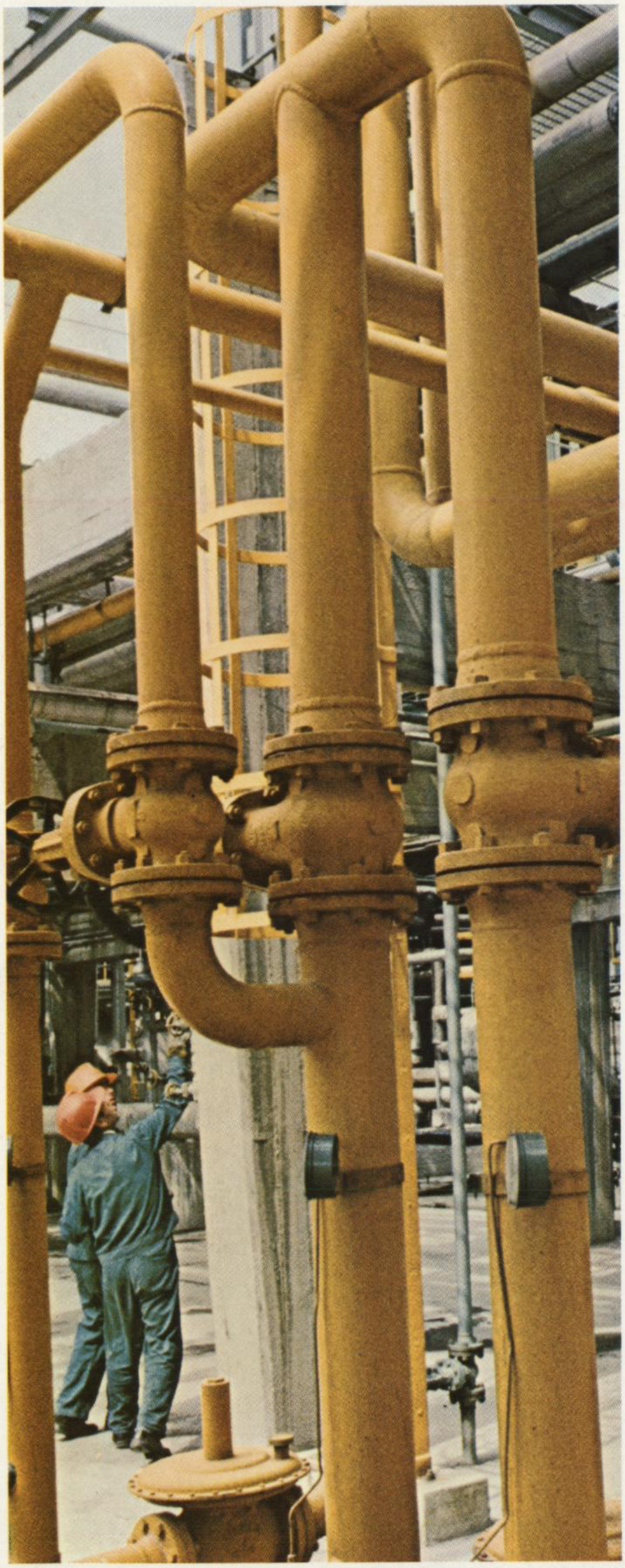
The world's first inter-industry symposium on advanced marine diesel technology was sponsored by Mobil in 1968. Held in Copenhagen, the symposium attracted more than 150 engineers and scientists representing 13 countries. A similar symposium on automatic transmissions and their fluid requirements, conducted primarily for European auto makers, was held in The Netherlands in 1966. Both of these highly successful meetings were repeated in Tokyo early in 1969 in response to requests from the Japanese diesel and automotive industries.

---

*Left, Mobil research symposium at Copenhagen brought engine-manufacturers together with our scientists who develop products for them. Right, Vienna fueling is part of worldwide service to the aviation market.*

OE-LCA
AIRLINES
Mobil
TRIAN

# chemicals



Mobil's chemical operations increased their contribution to earnings in 1968 as compared with 1967, despite difficulties in agricultural chemicals, which continued to feel the effects of an industry-wide supply/demand imbalance.

Lower start-up costs, increased sales of plastics and coatings products, and greater efficiency were the major reasons for Mobil Chemical's improved performance.

The greatest improvement occurred in our plastics packaging business, where sales increased 25%.

## Household Bags and Egg Cartons

Our nationally advertised "Hefty" household bags grew steadily in popularity with homemakers. We added a new product to our "Hefty" line—a polyethylene trash can liner, which offers a more sanitary system of home rubbish disposal and facilitates trash removal by municipal collectors. We also introduced a polystyrene foam egg carton—the first of its kind in the marketplace. This carton provides extraordinary protection for eggs and has excellent merchandising appeal, as illustrated in the picture at right.

In chemical coatings, new products and systems, cost-reduction programs, and a general upturn in business conditions all contributed to our improved performance.

We introduced a variety of new vinyls, epoxies, and other high-performance coatings which are replacing the traditional alkyd paints as coatings for steel used in corrosive environments. We also developed complete coatings systems for the paper, marine, and chemical processing industries; and gained increasing customer acceptance of our electrocoat paints for automobiles and appliances.

## Petrochemicals

Earnings from petrochemicals were slightly higher than a year ago—despite unsatisfactory prices in some important domestic markets. The nitrogen plant in Beaumont, Tex., which started up in April of 1967, produced almost twice as much ammonia in 1968 as it did the year before.

Improved production efficiencies at our terephthalic acid (TPA) facility resulted in higher earnings from this operation. Mobil's high-purity process for making TPA offers an economical route to the production of polyester fibers.

Because of the unfavorable market conditions in fertilizers, we closed a large fertilizer complex in Florida. We also closed, or converted into distribution centers, a number of our older and less efficient fertilizer units.

We have strengthened our position in the phosphate field

---

*Left, engineers at Naples test a new unit in our expanded petrochemicals complex, one of the largest in Europe. Right, bright polystyrene foam cartons both protect and help display eggs.*

Sara Lee
APRICOT danish
COFFEE CAKE
Sara Lee
FRESH EX-LARGE
EGGS
EGG
RITZ

in Florida through an exchange of properties with International Minerals and Chemical Corporation. In return for relinquishing reserves and a processing facility in an area where IMC has substantial holdings, we received land containing a considerable quantity of high-grade ore. This will enable us to improve and extend the life of our newest and largest processing facility nearby.

Mobil Chemical continued to make steady gains in phosphorus-based industrial chemicals. Sales gains were achieved in phosphoric acid and sodium phosphates, important intermediates; as well as in "Folex," our cotton defoliant, and our line of pesticides.

### New Products and Processes

During the year, Mobil Chemical made progress in several new areas of potential profitability. One is the development of technology to produce polybutylene, a new petroleum-based plastic that may replace vinyl in the manufacture of floor tile, and can be used in the manufacture of film, plastic pipe, and several other products. Last year, in pilot plant operations, we produced more than one million pounds of this plastic for commercial development.

Mobil Chemical's research and development group also:

☐ Increased pilot plant production of biaxially-oriented polypropylene, a new film product that is expected to make inroads into markets now dominated by cellophane;

☐ Developed a proprietary process that may open new markets for polyesters, which are now limited to film and fiber;

☐ Developed a system to match paint colors by computer rather than by eye;

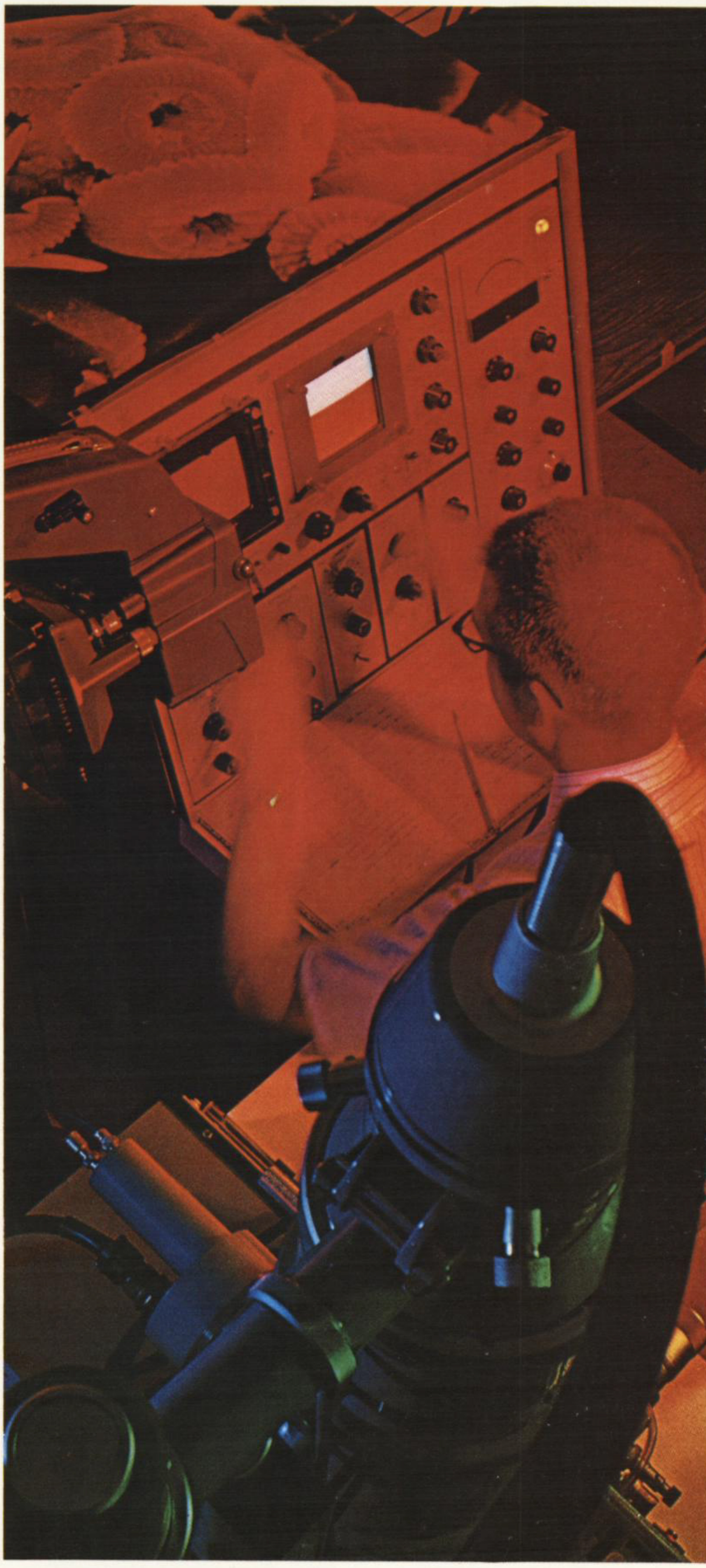
☐ Went forward with development of a new herbicide and a new insecticide, both unique and promising; and continued research into new and more profitable fertilizer products and processes.

### Research Facilities

Our chemical research and development is carried out in a number of laboratories. Mobil Chemical's largest laboratory is the central research facility at Edison, N.J., where emphasis is on basic and applied research in the fields of polymers, petrochemicals, industrial chemicals, and agricultural chemicals, as well as on plastics fabrication and early process development. The process development laboratory near our Beaumont complex is responsible for pilot plant development and for improving basic petrochemical processes. Applied research and development in plastics, agricultural chemicals, and coatings are carried out in a wide variety of facilities across the country.

*Mobil "Hefty" trash can liners aid householders and municipalities with sanitary disposal.*

# research



Mobil research is diverse and international, with a broad base in many fields to increase the profit potential, both long-term and short-term, in scientific advancement.

In 1968, we brought to commercial use a new petroleum conversion processing system called Selectoforming. The process employs a new catalyst that produces high-octane gasoline of improved quality.

Other process achievements from our laboratories in 1968 include commercial use at the company's refineries of the latest Mobil-developed zeolitic catalyst in selected Fluid Catalytic Cracking units and the commercial advancement of a process for making a superior type of fuel for jet aircraft.

During 1968 some 29 new or improved products moved from the research stage to the marketplace. Several are listed in the marketing section of this report.

## Oil Field Applications

Efforts to improve our ability to discover and produce oil and gas continue as a prime objective of Mobil scientists and engineers. From basic computer models they devised gas-driven oil recovery operations that are producing millions of barrels that would otherwise have been unrecoverable.

Our Borehole Televiewer was patented in 1968. This instrument records the "fractures," or cracks, through which an oil well is drilled, and indicates the direction in which such fractures run. The Borehole Televiewer works even when the well is filled with oil or drilling mud, and can probe miles below the earth's surface with such precision that fractures as fine as 1/32 of an inch can be detected. Locating fractures is a key element in the discovery and production of oil and gas.

## Subsea System

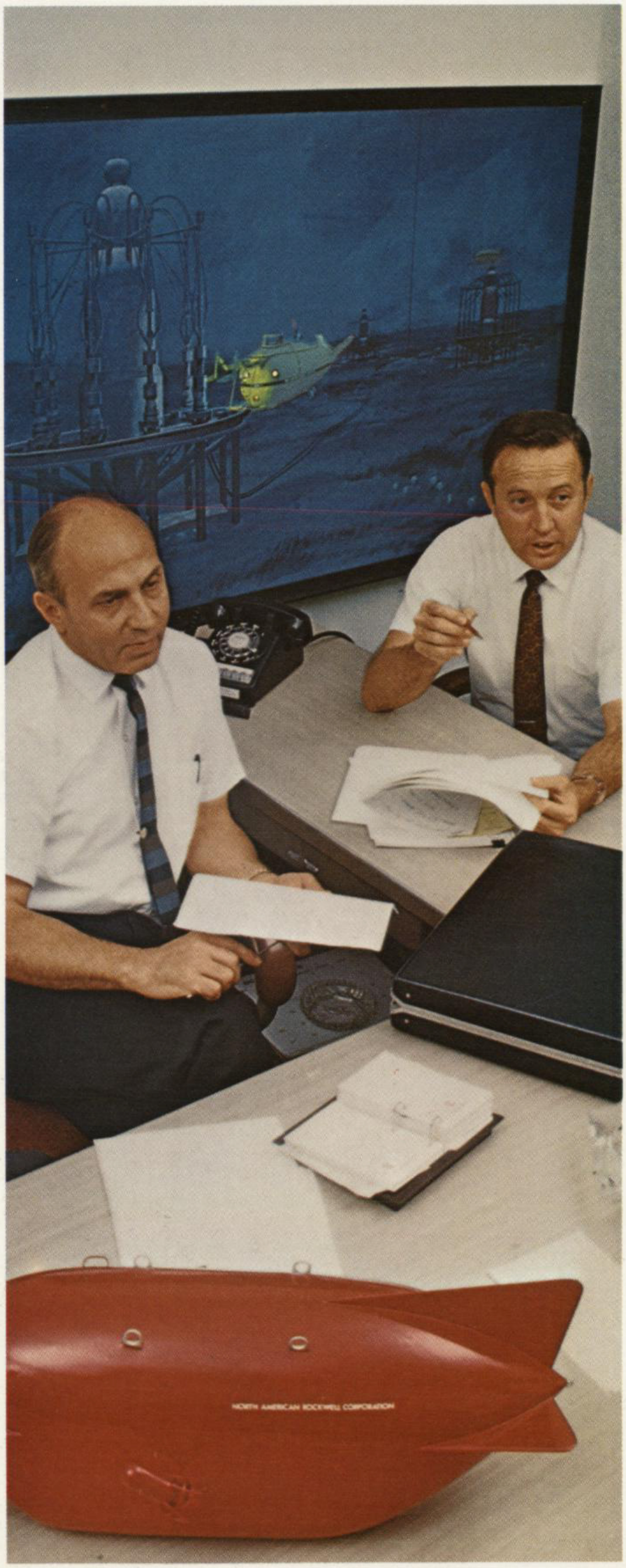
Detailed design and fabrication have begun on a subsea system for producing oil and natural gas. Mobil engineers and scientists are developing this ocean-floor system in co-operation with the North American Rockwell Corporation. We expect to have an interim operation under test by 1970, and an advanced system in 1971. This should enable men to work in a "shirt-sleeve" environment thousands of feet below sea level, and should permit Mobil to produce oil from record water depths.

## Clean-Air Cars

Road testing is under way of experimental cars designed to greatly reduce air pollution. These gasoline-powered cars are one result of the Inter-Industry Emission Control program founded by Mobil and the Ford Motor Company. This

---

*Electron scanning microscope gives Mobil's scientists a three-dimensional view of tiny oil fossils.*



research program is international in scope, now includes 11 companies, and enters its third year in 1969.

The program has developed a variety of fuel-engine systems currently under test that show promise of reducing undesirable automotive emissions to very low levels. Among our contributions are literally thousands of laboratory experiments, and the development of new mathematical models. The program's objective is to deliver a clean-air car at a reasonable cost while maintaining the efficiency and comfort of present-day automobiles.

### Protein from Oil

We have uncovered procedures for converting oil to protein as one result of more than 20 years of experiments in petroleum microbiology. This protein contains the same amino acids essential to life that are present in the protein of eggs and meat. Our microbe-made protein also contains vitamins. We believe that the conversion of petroleum to protein can make some future contribution to the alleviation of the world food shortage. Research continues on improving this conversion process.

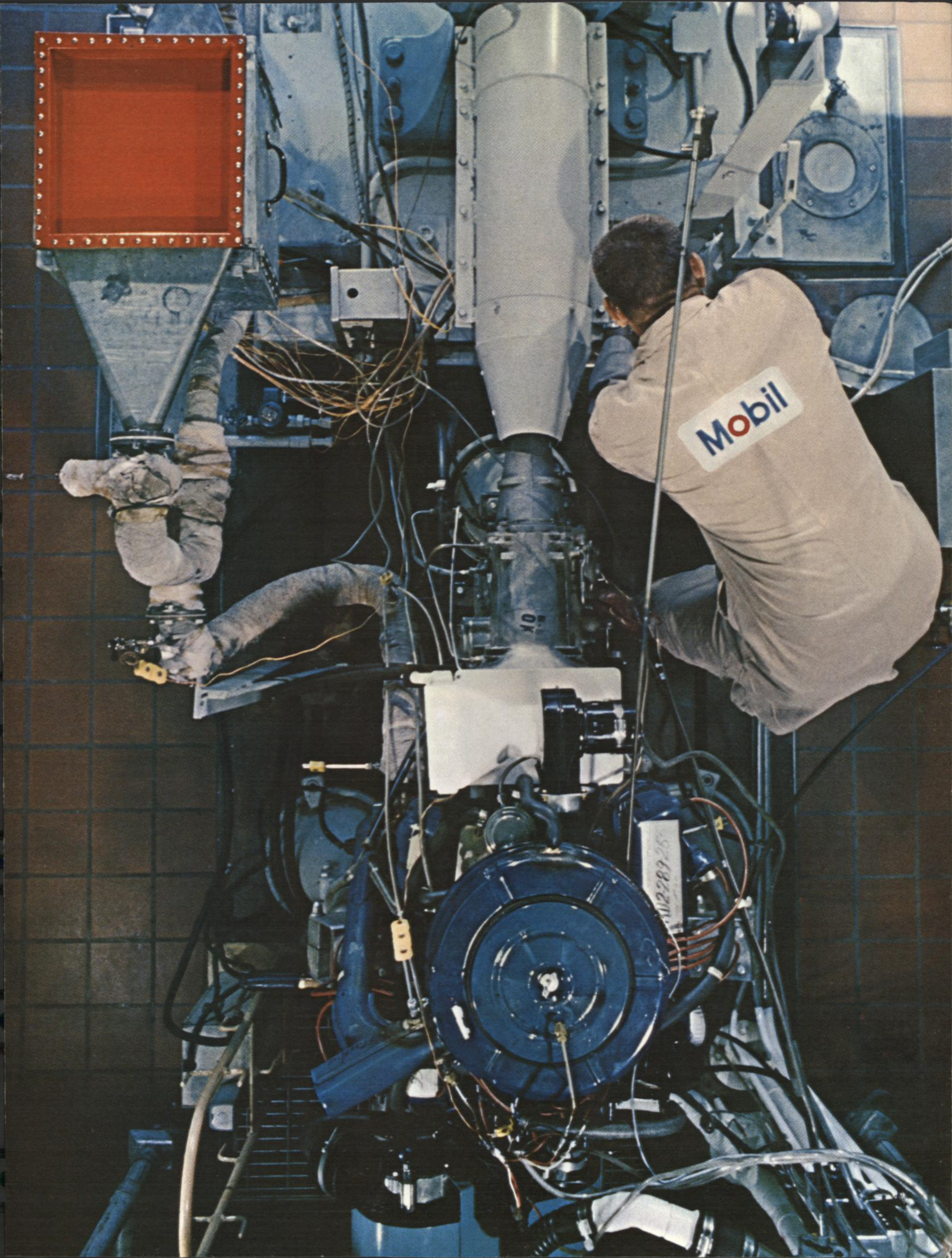
Our scientists have developed a new technique for measuring fluctuations in plasma density on a time scale of about one-millionth of a second. Plasmas are extremely hot, electrically charged gases similar to those found in the sun. In theory certain hydrogen plasmas are considered a potential new source for almost unlimited energy. Mobil's technique gives basic information about plasma instabilities that is essential to harnessing plasmas as energy.

### Space Technology

Our nuclear physicists have provided the National Aeronautics and Space Administration with a technique for determining the surface composition of the moon and of distant planets. Called a neutron probe, the technique can be used in an instrument carried by an astronaut, or employed remotely in unmanned landings. This is an extension into space of a technique developed by Mobil for remote nuclear analysis of earth rocks by lowering instruments down an oil well.

Scientists and engineers in laboratories in many countries around the world are contributing to Mobil's ability to provide the products and technology we need. Our men and women move between affiliate laboratories and exchange overseas and U.S. posts to broaden their knowledge.

*Left, research planners work on a subsea system for producing oil and gas on the ocean floor. Right, red box on engine simultaneously screens a number of catalysts which Mobil scientists are evaluating for their possible use in reducing air pollution.*


Mobil

# financial and operating data*

| | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 |
|---|---|---|---|---|---|---|
| **Financial** (in thousands of dollars except per-share data) | | | | | | |
| Revenues | 7,089,136 | 6,473,084 | 5,886,515 | 5,517,426 | 5,078,641 | 4,914,566 |
| Net income | 428,239 | 385,393 | 356,112 | 320,116 | 294,160 | 271,852 |
| Per share *(based on average shares outstanding)* | 4.23 | 3.80 | 3.51 | 3.15 | 2.89 | 2.72 |
| Cash dividends | 207,465 | 187,423 | 167,346 | 154,853 | 141,104 | 126,845 |
| Per share | 2.05 | 1.85 | 1.65 | 1.52½ | 1.40 | 1.30 |
| Capital and exploration outlays | 713,171 | 678,524 | 682,214 | 557,345 | 460,207 | 396,640 |
| Current assets | 2,835,364 | 2,399,024 | 2,084,271 | 2,037,721 | 1,908,827 | 1,883,725 |
| Current liabilities | 1,686,107 | 1,503,071 | 1,257,464 | 1,115,566 | 967,658 | 902,418 |
| Working capital | 1,149,257 | 895,953 | 826,807 | 922,155 | 941,169 | 981,307 |
| Net properties, plants, and equipment | 3,389,093 | 3,196,739 | 2,974,797 | 2,724,903 | 2,554,432 | 2,407,304 |
| Long-term debt | 748,447 | 527,723 | 421,917 | 448,408 | 419,140 | 428,159 |
| Shareholders' equity | 4,071,780 | 3,848,859 | 3,660,984 | 3,483,510 | 3,324,729 | 3,156,558 |
| Per share *(based on shares outstanding at end of year)* | 40.21 | 38.05 | 36.12 | 34.30 | 32.71 | 31.57 |

**Shareholders and Employees** (end of year)

| | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 |
|---|---|---|---|---|---|---|
| Number of shareholders | 218,600 | 213,500 | 210,300 | 206,900 | 211,000 | 212,200 |
| Number of shares outstanding | 101,258,000 | 101,157,000 | 101,358,000 | 101,548,000 | 101,649,000 | 100,000,000 |
| Number of employees | 78,300 | 79,800 | 80,900 | 80,600 | 80,000 | 79,700 |

**Operating** (barrels daily, except natural gas)

| | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 |
|---|---|---|---|---|---|---|
| Gross production—crude and gas liquids | 1,589,000 | 1,459,000 | 1,368,000 | 1,212,000 | 1,077,000 | 971,000 |
| U.S. and Canada | 521,000 | 475,000 | 413,000 | 372,000 | 346,000 | 330,000 |
| All other countries | 1,068,000 | 984,000 | 955,000 | 840,000 | 731,000 | 641,000 |
| Gross production—crude and gas liquids *(together with quantities received under long-term arrangements)* | 1,835,000 | 1,663,000 | 1,527,000 | 1,387,000 | 1,251,000 | 1,146,000 |
| Natural gas production *(thousands of cubic feet daily)* | 2,731,000 | 2,382,000 | 2,181,000 | 1,993,000 | 1,924,000 | 1,588,000 |
| Refinery runs—crude and gas liquids | 1,828,000 | 1,677,000 | 1,581,000 | 1,467,000 | 1,384,000 | 1,265,000 |
| United States | 824,000 | 752,000 | 737,000 | 710,000 | 708,000 | 683,000 |
| All other countries | 1,004,000 | 925,000 | 844,000 | 757,000 | 676,000 | 582,000 |
| Petroleum product sales | 1,874,000 | 1,721,000 | 1,579,000 | 1,503,000 | 1,404,000 | 1,328,000 |
| U.S. and Canada | 883,000 | 818,000 | 771,000 | 760,000 | 731,000 | 711,000 |
| All other countries | 991,000 | 903,000 | 808,000 | 743,000 | 673,000 | 617,000 |

The financial data have been adjusted to reflect the two-for-one stock split in 1966. The financial and operating data give effect to the pooling of interests in 1964 with Northern Natural Gas Producing Company. Operating statistics include the corporation's interest in the operations of non-consolidated companies. Refinery runs include approximately 10% processed by others under processing or crude-sale/product-purchase agreements.

---

***Detailed data on the corporation, and a statement of its major accounting policies, are contained in a separate report, Financial and Operating Statistics 1968. Copies may be obtained from the Secretary, Room 2500, Mobil Oil Corporation, 150 East 42nd Street, New York, N.Y. 10017.**

# financial review

## Record Earnings and Dividends

Mobil's consolidated net income in 1968 reached a record $428.2 million, an increase of 11.1% over the previous high of $385.4 million earned in 1967. Per-share earnings rose from $3.80 in 1967 to a new high of $4.23, based on the average number of shares outstanding during each year —101,300,581 in 1967 and 101,182,039 in 1968.

Shareholders received record cash dividends of $207.5 million, an increase of $20.1 million over 1967. On a per-share basis, dividend payments rose from $1.85 in 1967 to $2.05 in 1968. This amount represents 50 cents per share paid in the first three quarters and an increase to 55 cents per share in the fourth quarter.

## Shareholders' Equity

Shareholders' equity rose from $38.05 per share in 1967 to $40.21 in 1968, an increase of $2.16 per share. The rate of return on average shareholders' equity was 10.8%, compared with 10.3% in 1967.

## Taxes

Taxes in the United States and abroad amounted to $2,125 million in 1968, an increase of $258 million over the 1967 total of $1,867 million.

| | 1968 | 1967 |
|---|---|---|
| | (In millions) | |
| Excise and state gasoline taxes | $ 708 | $ 574 |
| Import duties | 1,011 | 914 |
| Property, production, payroll, and other taxes | 142 | 136 |
| Income taxes—United States and other countries: | | |
| Current | 246 | 209 |
| Deferred—arising principally from differences between tax and book depreciation | 18 | 34 |
| | $2,125 | $1,867 |

## Inventories

Inventories are valued at cost, which was lower than their aggregate market value at December 31, 1968. Substantially all domestic inventories of crude oil and petroleum products —representing about 36% of the worldwide total of all inventories at December 31, 1968—are valued under the last-in, first-out method. All other inventories are valued at average cost.

## Investments and Long-Term Receivables

Mobil's equity in the net assets of non-consolidated companies (owned 50% or less) is greater than its investments (at cost less reserves). Dividends received from such companies during 1968 amounted to $106 million, or $8 million less than the corporation's equity in the net income of these companies. Reserves applicable to investments and long-term receivables amounted to $101 million at the end of 1968.

## Capital and Exploration Outlays

The 1968 capital and exploration programs resulted in a record outlay of $713 million, an increase of $34 million over the $679 million expended in 1967.

| | 1968 | | | 1967 |
|---|---|---|---|---|
| | U.S. and Canada | Other Countries | Total | Total |
| | | (In millions) | | |
| **Capital expenditures** | | | | |
| Producing | $232 | $ 50 | $282 | $180 |
| Refining | 27 | 69 | 96 | 131 |
| Chemicals | 22 | 3 | 25 | 53 |
| Marketing | 99 | 75 | 174 | 176 |
| Marine | 4 | 7 | 11 | 9 |
| Other | 13 | 2 | 15 | 30 |
| | 397 | 206 | 603 | 579 |
| **Exploration expenses** including non-productive wells | 71 | 39 | 110 | 100 |
| | $468 | $245 | $713 | $679 |

Exploration and producing outlays reflected the acquisition of acreage in offshore California, Texas, and Indonesia as well as enlarged producing programs in Nigeria, Libya, and Venezuela. Wildcat drilling in Nigeria, Libya, and the North Sea continued, as did development of properties in Cook Inlet, Alaska, and offshore California. Production facilities in Canada also accounted for significant outlays.

Refining expenditures were directed primarily toward refinery modernization programs in the United States and continuation of new construction and capacity expansion in Europe, including completion of a new refinery in Amsterdam.

Marketing expenditures were primarily for worldwide service station construction and modernization programs.

## Depreciation, Depletion, and Amortization

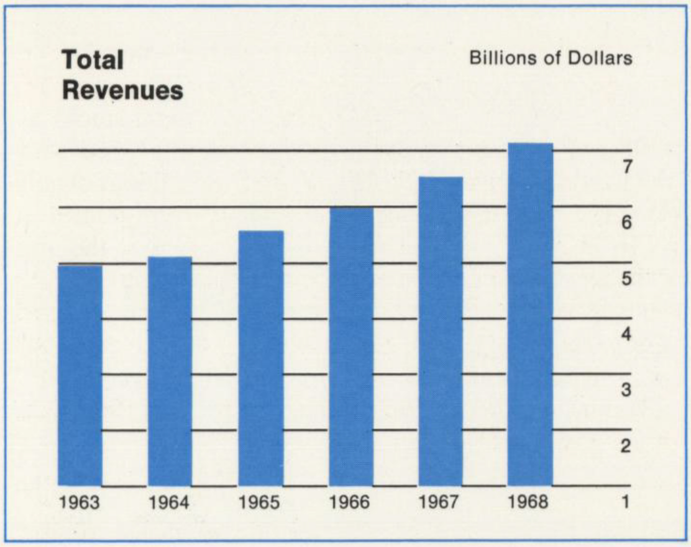
Annual charges to income for depreciation are computed generally on a straight-line basis over the useful lives of the various classes of properties.

Depletion of the cost of producing properties and amortization of capitalized intangible drilling costs are calculated on the unit-of-production basis.

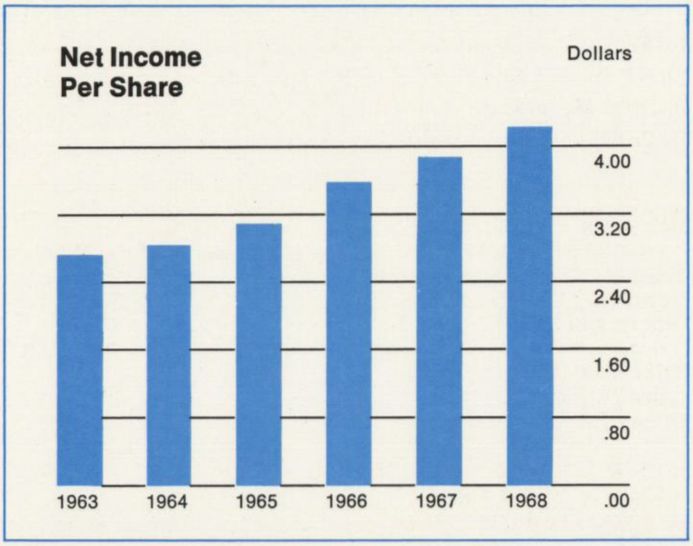
Capitalized acquisition costs of mineral rights (leases) are generally amortized on a straight-line basis, by charges against income over the full term, or an appropriate shorter period. When a mineral right is surrendered, any unamortized cost is charged against income. When a property is proven productive, the unamortized cost of the mineral right becomes subject to depletion.

## Long-Term Debt

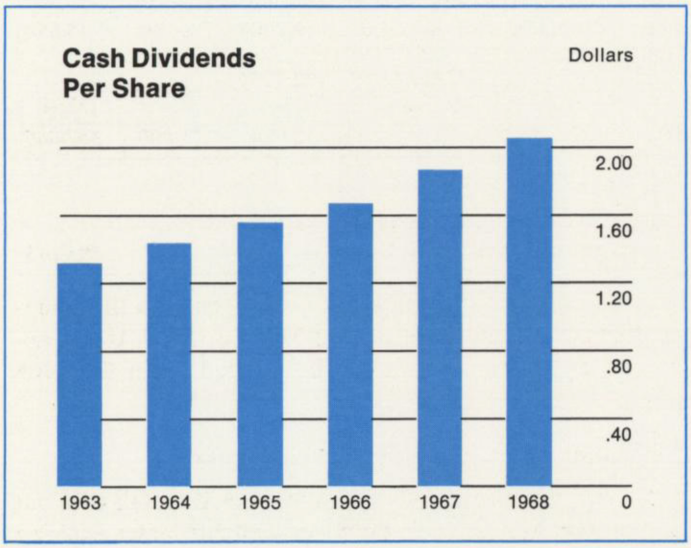
At December 31, 1968, long-term debt amounted to $748 million, an increase of $220 million over the $528



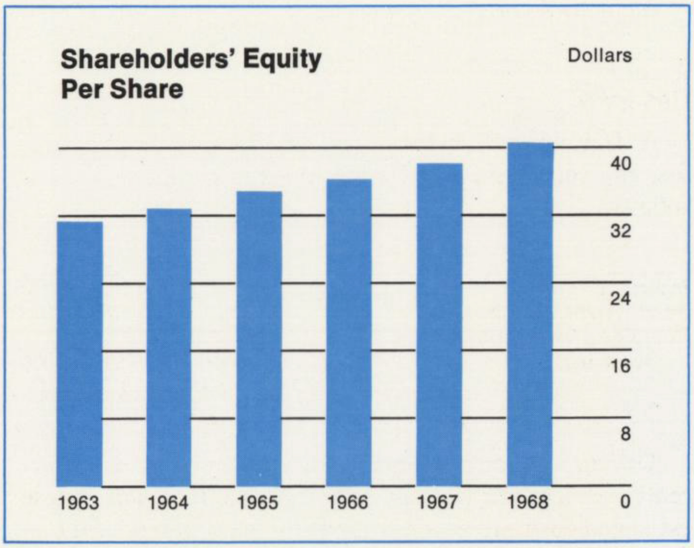
**Total Revenues**



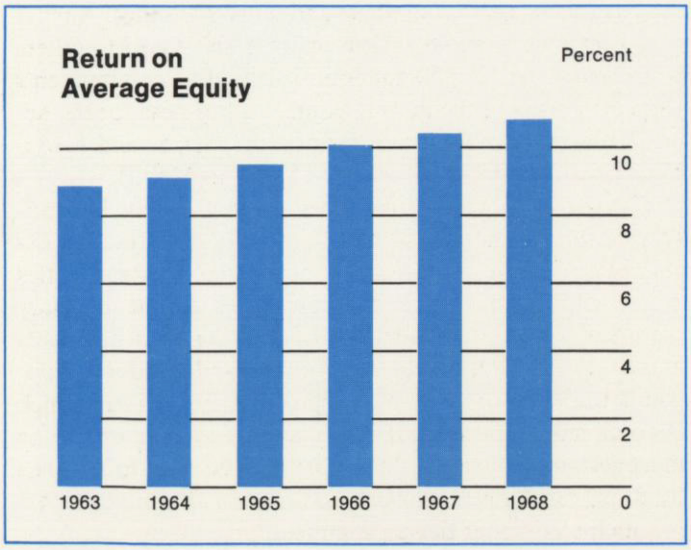
**Net Income Per Share**



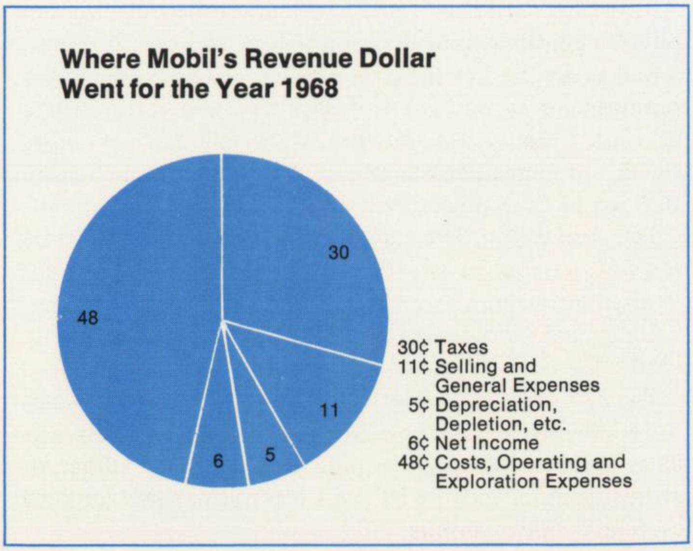
**Cash Dividends Per Share**



**Shareholders' Equity Per Share**



**Return on Average Equity**



**Where Mobil's Revenue Dollar Went for the Year 1968**

million payable at year-end 1967. This increase consists primarily of funds borrowed abroad, in response to the U.S. government's balance-of-payments program, to finance capital and exploration outlays outside the United States. Long-term debt consisted of the following:

| | 1968 | 1967 |
|---|---|---|
| Thirty year 4¼% debentures due 1993 (less in treasury) | $183,651,000 | $184,651,000 |
| Thirty year 2½% debentures due 1976 (less in treasury) | 56,684,000 | 56,684,000 |
| Other debentures 4¾% to 7% due 1980-1986 | 85,063,000 | 38,440,000 |
| Term notes 4⅛% due 1979-1988 | 60,000,000 | 60,000,000 |
| Notes payable to banks | | |
| 5¾% due 1970-1972 | 100,000,000 | 100,000,000 |
| 4¼% to 7½% due 1970-1979 | 130,002,000 | 36,530,000 |
| 6½% to 7½% (subject to periodic adjustment) due 1973 | 47,685,000 | – |
| Other | | |
| 5% to 7⅞% due 1970-1983 | 85,362,000 | 51,418,000 |
| | $748,447,000 | $527,723,000 |

## Reserves

At December 31, reserves for insurance, employee benefits, and contingencies affecting foreign operations were as follows:

| | 1968 | 1967 |
|---|---|---|
| Insurance | $ 44,000,000 | $ 46,778,000 |
| Employee benefit plans | 94,570,000 | 87,786,000 |
| Contingencies affecting foreign operations | 19,000,000 | 19,000,000 |
| | $157,570,000 | $153,564,000 |

The corporation's policy is to fund benefit plan costs currently, except for certain self-administered plans whose estimated costs are accrued currently in the reserve for employee benefit plans.

In the United States, Mobil's employee benefit program provides pensions, group life insurance, and savings plans, as well as several supplementary benefit plans covering such contingencies as sickness and accidents. Affiliates outside the United States also provide various pension and other benefit programs. Pension programs cover substantially all employees of the corporation.

The total cost in 1968 of all employee benefit programs was $64 million, of which pension costs represented approximately 48%.

## Incentive Compensation Plan

The corporation's Incentive Compensation Plan was approved by shareholders in May, 1966. A provision was made against 1968 earnings, amounting to $5.4 million, for awards made in early 1969. This amount was substantially less than the plan permits.

## Stock Option Plans

Under the Stock Option Plan approved by shareholders in 1965, options may be granted to key employees to purchase a maximum of 600,000 shares of capital stock. No additional options may be granted under the 1960 plan, which terminated in 1965. The terms and conditions of both plans are substantially the same. Options are granted at 100% of the fair market value of Mobil stock at the time of the award and may be exercised in equal annual installments after the first year. "Restricted" options, granted prior to January 1, 1964, have a life of 10 years; "qualified" options, granted after that date, have a life of five years.

Transactions during 1968 under the 1965 and 1960 plans are summarized below:

| | 1965 Plan | | 1960 Plan |
|---|---|---|---|
| | Shares Under Option | Shares Available for Option | Shares Under Option |
| January 1, 1968 | 417,200 | 182,500 | 486,265 |
| Options granted at $43.19 | 70,700 | (70,700) | – |
| Options surrendered or cancelled | (9,200) | 9,200 | (5,684) |
| Options exercised | | | |
| at an average price of $45.00 | (22,770) | – | – |
| at an average price of $26.15 | – | – | (123,496) |
| December 31, 1968 | 455,930 | 121,000 | 357,085 |
| Options exercisable December 31, 1968 | | | |
| at an average price of $45.25 | 156,255 | – | – |
| at an average price of $33.89 | – | – | 195,213 |

A new stock option plan will be proposed to the shareholders at the annual meeting on May 20, 1969. If it is approved, no further options will be granted under the 1965 plan.

## Commitments and Contingent Liabilities

At December 31, 1968, minimum annual rentals of about $64 million were payable on noncancellable leases expiring more than three years from that date, covering such properties as tankers, service stations, and office buildings. Annual rental revenue from all such properties subleased to others is estimated to be $20 million. Substantial commitments were also made in the normal course of business for the acquisition or construction of properties, plants, and equipment (including tankers for time-charter to Mobil).

The corporation has guaranteed approximately $74 million of the obligations of others, excluding certain cross-guarantees (about $31 million) of foreign customs duties made with other responsible companies in the ordinary course of business. In addition, the corporation has guaranteed specified revenues from crude and products shipments under agreements with pipeline companies in which it holds stock interests. If these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated under these guarantees.

The corporation's general counsel is of the opinion that, while the corporation's ultimate liability in respect of litigation and other claims pending against the corporation cannot be determined at this time, such liability, to the extent not provided for through insurance or otherwise, is not likely to be of material importance in relation to the corporation's accounts. This opinion covers lawsuits claiming damages in substantial amounts recently filed against the corporation as the result of oil leakage from a drilling site operated by another company on a lease (in which this corporation has a 25% interest) in waters offshore Santa Barbara, Calif.

### Capital Stock

At December 31, 1968, a total of 102,452,843 shares of $7.50 par value had been issued, including 1,195,218 shares held in the treasury. Shares outstanding at year end totaled 101,257,625, an increase of 100,618 during 1968. This change resulted primarily from additional shares issued under the stock option plans, partially offset by a net increase in shares held in the treasury.

### Capital Surplus

Changes in capital surplus were as follows:

| | 1968 | 1967 |
|---|---|---|
| January 1 | $638,206,000 | $637,118,000 |
| Excess of proceeds over par value of shares issued under the Stock Option Plans | 3,156,000 | 1,083,000 |
| Miscellaneous | – | 5,000 |
| December 31 | $641,362,000 | $638,206,000 |

### General

Accounts of all domestic and foreign subsidiaries more than 50%-owned are included in the consolidated financial statements. Items recorded in foreign currencies are expressed in U.S. dollars at appropriate rates of exchange.

## report of certified public accountants

Board of Directors and Shareholders
Mobil Oil Corporation

We have examined the accompanying consolidated balance sheet of Mobil Oil Corporation at December 31, 1968 and the related consolidated statements of income and earnings retained in the business and the consolidated statement of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Mobil Oil Corporation at December 31, 1968 and the consolidated results of operations and the source and use of consolidated funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

277 Park Avenue
New York, N.Y.
March 3, 1969

# financial statements

## consolidated statement of income

Mobil Oil Corporation

| | 1968 | 1967 |
|---|---|---|
| | year ended December 31 | |
| **Revenues** | | |
| Sales and services (including excise and state gasoline taxes: 1968–$707,898,000; 1967–$573,975,000) | $6,928,894,000 | $6,345,751,000 |
| Dividends and interest | 160,242,000 | 127,333,000 |
| | 7,089,136,000 | 6,473,084,000 |
| **Costs and Expenses** | | |
| Crude oil, products, materials, and operating expenses | 3,218,087,000 | 3,066,614,000 |
| Exploration expenses, including non-productive wells | 110,574,000 | 100,180,000 |
| Selling and general expenses | 778,284,000 | 706,247,000 |
| Depreciation, depletion, and amortization | 365,273,000 | 310,946,000 |
| Interest and debt discount expense | 63,327,000 | 36,854,000 |
| Taxes | 2,125,352,000 | 1,866,850,000 |
| | 6,660,897,000 | 6,087,691,000 |
| **Income before Extraordinary Items** | 428,239,000 | 385,393,000 |
| **Extraordinary Items** | | |
| Awards for property losses sustained in World War II | | 19,000,000 |
| Provision for contingencies affecting foreign operations | | (19,000,000) |
| **Net Income** | $ 428,239,000 | $ 385,393,000 |

| | 1968 | 1967 |
|---|---|---|
| **Net Income Per Share** | $4.23 | $3.80 |

## consolidated statement of earnings retained in the business

| | 1968 | 1967 |
|---|---|---|
| | year ended December 31 | |
| **Earnings Retained in the Business—Beginning of Year** | $2,489,811,000 | $2,291,841,000 |
| Net income | 428,239,000 | 385,393,000 |
| Cash dividends paid | (207,465,000) | (187,423,000) |
| **Earnings Retained in the Business—End of Year** | $2,710,585,000 | $2,489,811,000 |

See Financial Review on pages 25-28 and statements on page 32.

## consolidated balance sheet at december 31

| **Assets** | 1968 | 1967 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 206,914,000 | $ 207,411,000 |
| Marketable securities, at amortized cost (approximating market) | 651,968,000 | 397,940,000 |
| Accounts and notes receivable (less estimated doubtful accounts) | 1,264,245,000 | 1,123,450,000 |
| Inventories: | | |
| Crude oil and products | 643,920,000 | 607,011,000 |
| Materials and supplies | 68,317,000 | 63,212,000 |
| **Total Current Assets** | 2,835,364,000 | 2,399,024,000 |
| **Investments and Long-Term Receivables** (at cost less reserves) | 527,054,000 | 506,367,000 |
| **Properties, Plants, and Equipment** (at cost) | | |
| Producing | 2,646,957,000 | 2,444,247,000 |
| Refining | 1,465,069,000 | 1,381,496,000 |
| Chemicals | 431,875,000 | 412,831,000 |
| Marketing | 1,508,389,000 | 1,379,983,000 |
| Marine | 300,889,000 | 300,817,000 |
| Pipelines | 287,488,000 | 282,650,000 |
| Other | 102,271,000 | 104,882,000 |
| | 6,742,938,000 | 6,306,906,000 |
| Less accumulated depreciation, depletion, and amortization | 3,353,845,000 | 3,110,167,000 |
| **Net Properties, Plants, and Equipment** | 3,389,093,000 | 3,196,739,000 |
| **Prepaid and Deferred Charges** | 120,323,000 | 121,731,000 |
| **Total** | $6,871,834,000 | $6,223,861,000 |

See Financial Review on pages 25-28 and statements on page 32.

Mobil Oil Corporation

| Liabilities and Shareholders' Equity | 1968 | 1967 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts and notes payable and accrued liabilities | $1,205,987,000 | $1,067,100,000 |
| Income, excise, state gasoline, and other taxes payable | 467,443,000 | 418,187,000 |
| Long-term debt maturing within one year | 12,677,000 | 17,784,000 |
| **Total Current Liabilities** | 1,686,107,000 | 1,503,071,000 |
| **Long-Term Debt** | 748,447,000 | 527,723,000 |
| **Deferred Credits** | | |
| Deferred income taxes | 147,385,000 | 129,077,000 |
| Other | 44,753,000 | 46,358,000 |
| **Total Deferred Credits** | 192,138,000 | 175,435,000 |
| **Reserves** | | |
| For insurance, employee benefits, and contingencies affecting foreign operations | 157,570,000 | 153,564,000 |
| **Minority Interest in Subsidiary Companies** | 15,792,000 | 15,209,000 |
| **Shareholders' Equity** | | |
| Capital stock | 768,396,000 | 767,299,000 |
| Capital surplus | 641,362,000 | 638,206,000 |
| Earnings retained in the business | 2,710,585,000 | 2,489,811,000 |
| | 4,120,343,000 | 3,895,316,000 |
| Less capital stock held in treasury (at cost) | 48,563,000 | 46,457,000 |
| **Total Shareholders' Equity** | 4,071,780,000 | 3,848,859,000 |
| **Total** | $6,871,834,000 | $6,223,861,000 |

## consolidated statement of source and use of funds

Mobil Oil Corporation

| | 1968 | 1967 |
|---|---|---|
| | year ended December 31 | |
| **Funds Were Made Available From** | | |
| Net income | $ 428,239,000 | $ 385,393,000 |
| Depreciation, depletion, and amortization | 365,273,000 | 310,946,000 |
| Deferred income taxes | 18,308,000 | 33,600,000 |
| Sales of properties, plants, and equipment | 28,448,000 | 38,765,000 |
| Long-term debt increases | 253,359,000 | 127,763,000 |
| Other, net | 25,733,000 | 7,263,000 |
| **Total** | $1,119,360,000 | $ 903,730,000 |
| **Funds Were Used For** | | |
| Capital expenditures | $ 602,597,000 | $ 578,344,000 |
| Investments and long-term receivables | 21,253,000 | 35,109,000 |
| Working capital increase | 253,304,000 | 69,146,000 |
| Long-term debt reductions | 32,635,000 | 21,957,000 |
| Cash dividends | 207,465,000 | 187,423,000 |
| Net purchases of treasury stock | 2,106,000 | 11,751,000 |
| **Total** | $1,119,360,000 | $ 903,730,000 |

## distribution of income and shareholders' equity

| | 1968 | | 1967 | |
|---|---|---|---|---|
| | Total | Per Share | Total | Per Share |
| **Net Income** (year ended December 31) | | | | |
| United States | $ 237,884,000 | $ 2.35 | $ 210,122,000 | $ 2.07 |
| Other Western Hemisphere | 21,052,000 | .21 | 16,660,000 | .16 |
| | 258,936,000 | 2.56 | 226,782,000 | 2.23 |
| Eastern Hemisphere | 169,303,000 | 1.67 | 158,611,000 | 1.57 |
| **Total** | $ 428,239,000 | $ 4.23 | $ 385,393,000 | $ 3.80 |
| **Shareholders' Equity** (end of year) | | | | |
| United States | $2,369,048,000 | $23.40 | $2,196,027,000 | $21.71 |
| Other Western Hemisphere | 297,488,000 | 2.93 | 278,215,000 | 2.75 |
| | 2,666,536,000 | 26.33 | 2,474,242,000 | 24.46 |
| Eastern Hemisphere | 1,405,244,000 | 13.88 | 1,374,617,000 | 13.59 |
| **Total** | $4,071,780,000 | $40.21 | $3,848,859,000 | $38.05 |

Printed in U.S.A.

# Mobil Oil Corporation

A partial listing of its subsidiaries and affiliates/their activities and main areas of operations

Mobil Oil Corporation. *Exploration, producing, transportation, refining, chemical manufacturing, marketing, and research in the U.S. and worldwide.*

## UNITED STATES

Mobil Chemical International Ltd. *Worldwide trading, exports of chemical products, management services.*

Mobil Pipe Line Company. *Pipeline transportation in the U.S.*

Mobil Sales and Supply Corporation. *International trading in crude oil and petroleum products.*

Northern Natural Gas Producing Company. *Exploration and producing in the U.S.*

## CANADA

Mobil Marine Transportation Limited and Subsidiaries. *Worldwide marine transportation.*

Mobil Oil Canada, Ltd. *Exploration, producing, and marketing.*

South Saskatchewan Pipe Line Company (50%). *Pipeline transportation.*

## LATIN AMERICA AND CARIBBEAN

Colombianos Distribuidores de Combustibles, S.A. (81.07%). *Marketing.*

Colombian Petroleum Company *and* South American Gulf Oil Company (50%). *Exploration, producing, refining, and pipeline transportation.*

Mobil Ami, S.A. *Manufacturing and marketing of chemical coatings in Colombia.*

Mobil Atlas S.A. de C.V. *Manufacturing and marketing of chemical coatings in Mexico.*

Mobil Oil Barbados Limited and Subsidiary. *Refining and marketing.*

Mobil Oil Caribe Inc. *Marketing in Puerto Rico.*

Mobil Oil Company del Ecuador. *Marketing.*

Mobil Oil Company del Peru. *Exploration.*

Mobil Oil Company de Venezuela. *Exploration, producing, transportation, refining, and marketing.*

Mobil Oil de Chile Limitada (50%). *Marketing.*

Mobil Oil del Peru (Compania Comercial). *Marketing.*

Mobil Oil de Mexico, Sociedad Anonima. *Marketing.*

Mobil Oil do Brasil (Industria e Comercio) Ltda. *Marketing.*

## AFRICA

Mobil Exploration Equatorial Africa Inc. *Exploration in Cameroun, producing in Gabon.*

Mobil Exploration Nigeria Inc. *Exploration.*

Mobil Oil Cameroun. *Marketing.*

Mobil Oil Congo S.C.R.L. (Kinshasa). *Marketing.*

Mobil Oil de Canarias, S.A. *Marketing.*

Mobil Oil de L'Afrique Equatoriale. *Marketing in Equatorial Africa.*

Mobil Oil de L'Afrique Occidentale. *Marketing in West Africa.*

Mobil Oil East Africa Limited. *Marketing in Ethiopia.*

Mobil Oil Ghana Limited. *Marketing.*

Mobil Oil Kenya Limited. *Marketing.*

Mobil Oil Liberia Inc. *Marketing.*

Mobil Oil Libya Ltd. *Exploration and producing.*

Mobil Oil (Malawi) (Private) Limited. *Marketing.*

Mobil Oil Maroc. *Marketing in Morocco.*

Mobil Oil Nigeria Limited. *Marketing.*

Mobil Oil Sierra Leone Limited. *Marketing in Sierra Leone and Gambia.*

Mobil Oil Southern Africa (Proprietary) Limited. *Marketing in South and Southwest Africa and Portuguese East Africa.*

Mobil Oil Southern Rhodesia (Private) Limited. *Marketing.*

Mobil Oil Sudan Limited. *Marketing.*

Mobil Oil Tanzania Inc. *Marketing.*

Mobil Oil Tunisia Inc. *Marketing.*

Mobil Oil Uganda Limited. *Marketing.*

Mobil Oil Zambia Limited. *Marketing.*

Mobil Petroleum Ethiopia Inc. *Exploration.*

Mobil Producing Sahara Inc. *Exploration and producing in Algeria.*

Mobil Producing Spain Inc. *Exploration in Equatorial Guinea.*

Mobil Refining Company Southern Africa (Proprietary) Limited. *Refining.*

## EUROPE

ATAS-Anadolu Tasfiyehanesi Anonim Sirketi (56%). *Refining in Turkey.*

Mobil Chemie N.V. *Manufacturing of chemical coatings in The Netherlands, marketing in Europe.*

Mobil Chimica Italiana S.p.A. *Manufacturing and marketing of basic aromatic petrochemicals.*

Mobil Exploration Mediterranean Inc. *Exploration and producing in Turkey.*

Mobil North Sea Limited. *Offshore exploration, United Kingdom.*

Mobil Oil AB Sweden. *Marketing.*

Mobil Oil A/S. *Marketing in Denmark, Greenland, and Faroe Islands.*

Mobil Oil A/S Norge. *Marketing in Norway.*

Mobil Oil A.G. in Deutschland. *Exploration, producing, refining, marketing in West Germany, marine transportation.*

Mobil Oil Austria A.G. *Refining and marketing.*

Mobil Oil Company Limited and Subsidiaries. *Refining and marketing in United Kingdom and marketing in Eire.*

Mobil Oil Cyprus Limited. *Marketing.*

Mobil Oil de España S.A. *Marketing in Spain and the Balearic Islands.*

Mobil Oil Francaise and Subsidiaries. *Exploration and producing in Africa, refining in France, marketing in France and North and West Africa.*

Mobil Oil Hellas A.E. Petroleum Company. *Marketing in Greece.*

Mobil Oil Italiana S.p.A. *Refining and marketing.*

Mobiloil N.V. *Marketing in The Netherlands, Belgium, and Luxembourg.*

Mobil Oil OY AB. *Marketing in Finland.*

Mobil Oil Portuguesa, *S.A.R.L. Marketing in Portugal, neighboring islands, and Portuguese Africa.*

Mobil Oil (Switzerland). *Marketing.*

Mobil Oil Turk A.S. *Marketing in Turkey.*

Mobil Producing Netherlands Inc. *Offshore exploration.*

Mobil Shipping Company Limited. *Worldwide marine transportation.*

## MIDDLE AND FAR EAST

Abu Dhabi Petroleum Company Limited (11.875%). *Exploration and producing.*

Altona Petrochemical Company Limited (50%). *Petrochemicals manufacturing in Australia.*

Arabian American Oil Company (10%). *Exploration, producing, and refining in Saudi Arabia.*

Bataan Refining Corporation (43%). *Refining in the Philippines.*

Indian Oil Blending Limited (50%). *Blending of lubricating oils.*

Iraq Petroleum Company, Limited and Associated Companies (11.875%). *Exploration, producing, and transportation in Iraq, refining in Lebanon.*

Kyokuto Sekiyu Kogyo Kabushiki Kaisha (50%). *Refining in Japan.*

Mediterranean Refining Company (50%). *Refining in Lebanon.*

Mobil China Allied Chemical Industries Ltd. (35%). *Manufacturing and marketing of fertilizers in Taiwan.*

Mobil Oil Australia Limited and Affiliates. *Exploration and marketing in Australia, Papua, New Guinea, and Pacific Islands.*

Mobil Oil Egypt (S.A.A.). *Marketing.*

Mobil Oil Hong Kong Limited. *Marketing in Hong Kong and Macau.*

Mobil Oil Indonesia Inc. *Exploration.*

Mobil Oil Iran Inc. *Owner of 7% interest in Iranian Consortium, a producer and refiner in Iran; purchases and sells Iranian crude oil and products.*

Mobil Oil Kuwait Limited. *Purchases and sales of crude oil.*

Mobil Oil Lebanon Inc. *Marketing in Middle East.*

Mobil Oil Malaya Sendirian Berhad. *Marketing in Singapore and Malaysia.*

Mobil Oil New Zealand Limited. *Marketing in New Zealand and Cook and Society Islands.*

Mobil Oil Philippines Inc. *Marketing.*

Mobil Oil Thailand Limited. *Marketing.*

Mobil Petroleum Company Inc. and Affiliates. *Exploration, producing, purchasing, transportation, refining, and marketing in Europe, the Middle East, Africa, South and Southeast Asia, and the Far East.*

Mobil Refining Singapore Sendirian Berhad. *Refining in Singapore.*

Mobil Sekiyu Kabushiki Kaisha. *Marketing in Japan.*

Petroleum Refineries (Australia) Proprietary Limited (65%). *Refining.*

P.T. Stanvac Indonesia (50%). *Exploration, producing, and refining.*

Qatar Petroleum Company Limited (11.875%). *Exploration and producing.*

The New Zealand Refining Company Limited (19%). *Refining.*

Toa Nenryo Kogyo Kabushiki Kaisha and Subsidiaries (25%). *Refining and petrochemicals manufacturing in Japan.*

Trans-Arabian Pipe Line Company (10%). *Pipeline transportation from Saudi Arabia to Mediterranean terminal in Lebanon.*

**At December 31, 1968, all companies were substantially wholly owned except where otherwise indicated by percentage of ownership shown in parentheses.**

Mobil Oil Corporation
150 East 42nd Street
New York, N. Y. 10017

**NOTE: POSTAGE MUST BE AFFIXED HERE**

Bulk Rate
U. S. POSTAGE
PAID
Crawfordsville, Ind.
Permit No. 27

**IF NOT MAILED IN CRAWFORDSVILLE**

139184 33060800

RAYMOND T JACKSON
1956 UNION COMMERCE BLDG
CLEVELAND OHIO 44115